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# DEVELOPMENTS IN THE SERVICES SECTOR IN THE WEST BANK AND THE GAZA STRIP, 1967-1990

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# DEVELOPMENTS IN THE SERVICES SECTOR IN THE WEST BANK AND THE GAZA STRIP, 1967-1990

Study prepared by an UNCTAD consultant*

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* This study is based on the contribution of Dr. Samir Hazboun (Bir-Zeit University, West Bank) to the intersectoral project of the UNCTAD secretariat on "Prospects for sustained development of the Palestinian economy in the West Bank and Gaza Strip". The opinions expressed in this study are those of the author and do not necessarily reflect those of the Secretariat of the United Nations. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

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## List of abbreviations

| | |
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| **ADCC** | Arab Development and Credit Company |
| **CBS** | Israel Central Bureau of Statistics |
| **CD** | Cooperation for Development |
| **CIF** | Cost, insurance and freight |
| **EDG** | Economic Development Group |
| **ESCWA** | United Nations Economic and Social Commission for Western Asia |
| **GDP** | Gross domestic product |
| **GNP** | Gross national product |
| **ILO** | International Labour Office |
| **JD** | Jordanian dinar |
| **NGO** | Non-governmental organization |
| **NIS** | New Israeli shekel |
| **TDC** | Technical Development Company |
| **UNCTAD** | United Nations Conference on Trade and Development |
| **UNRWA** | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| **$** | United States dollar |

**Preface**

i. As part of the work programme of the UNCTAD secretariat pursuant to resolution 239 (XXIII) of the Trade and Development Board and resolution 44/174 of the General Assembly, the UNCTAD secretariat initiated, in 1990/91, the implementation of an in-depth intersectoral project on the economy of the West Bank and the Gaza Strip. Part One of the project deals with a comprehensive assessment of the economic and social situation in the West Bank and the Gaza Strip, the main impediments to sustained growth and development, pressing needs and corresponding measures for immediate action to promote recovery. Part Two of the project constitutes an in-depth analysis of prospects under different scenarios for the future development of the Palestinian economy. Part Three of the project is intended to provide a strategy framework and policy guidelines for the revival and sustained future development of the Palestinian economy in the West Bank and the Gaza Strip.

ii. For the implementation of the project, the preparation of a total of 25 in-depth studies was initiated at the field level covering economic and social sectors and issues. Concurrently, and in order to facilitate dealing with the technical aspects of work on Parts Two and Three, the UNCTAD secretariat also embarked upon the preparation of an in-depth study of a quantitative framework examining future options and prospects under different scenarios. The summary findings of part one of the field studies, in particular an identification of pressing needs and corresponding feasible measures for immediate action, were presented to an expert group meeting (held in May 1992) for further consideration. The report of that meeting is separately published (UNCTAD/DSD/SEU/2). The secretariat's study of a quantitative framework for analysing future prospects (UNCTAD/ECDC/SEU/6, and UNCTAD/ECDC/SEU/6/Add.1) also have been published.

iii. In order to provide more detailed substantive background to the findings and recommendations of the expert group meeting, to support the efforts of the Palestinian people in examining the socio-economic situation and needs, and to enable donors further to develop their programmes of assistance to the Palestinian people, the first parts of a selected number of the field studies, commissioned within the scope of this project, are being published in a special study series on Palestinian economic and social development. The second and third parts of the field studies are being separately consolidated by the UNCTAD secretariat.

iv. The present document, constituting Part One of the study on services in the West Bank and the Gaza Strip, is based on a survey report prepared by consultant, Dr. Samir Hazboun (Bir-Zeit University, West Bank). Chapter I describes the role of the services sector in the Palestinian economy before and after the 1967 war. It also highlights the linkages between services and other sectors, and presents the contribution of this sector to employment and the balance of payments. Chapter I also focuses on the factors affecting the

services branches such as the regulatory framework, capital formation and regional dimensions. Chapter II reviews in detail the structure and performance of services branches, and Chapter III presents concluding remarks and suggestions for possible action regarding areas in need of improvement.

(v) It should be noted that, in view of the early completion of this and other in-depth sectoral studies undertaken within the context of the intersectoral project, the implications of the accords concluded between Israel and Palestine in 1993 and subsequent developments could not be reflected in this study.

## Chapter I

## THE ROLE OF THE SERVICES SECTOR

### Introduction

The role of the services sector in economic development has been the subject of numerous studies, and the focus of many debates. 1/ One incisive observation is that the structure of an economy is a function of the level of its development. 2/ Essentially, the argument is that higher income levels produce structural changes in the economy. 3/ Indeed, the "level of development" and the structure of an economy are functionally correlated, rendering the structure itself to be a criterion of development. Accordingly, higher income levels and structural change are themselves correlative, or if mutually causal, structural change also produces higher income. Historically, the prominent structural change in most developing economies has been the shift from agriculture to industry with modest growth in services, very much dependent on infrastructural and industrial investment. Of growing significance in many economies has been the growth of the services sector relative to other sectors, particularly the growth of the services sector's contribution to national product and to employment.

Before examining services in the Palestinian economy, the important definitional issues raised regarding the "services sector" should be mentioned. Fundamentally, the services sector is construed to comprise all enterprises, agencies, organizations, and employers whose final output is not a material good but rather an intangible product (in both formal and informal economies). As has been noted recently, "the characterization of services as 'immaterial goods', however, is open to criticism. After all, some services have elements of tangibility ..., visibility ..., (or) storability ... and may not require face-to-face contact between producers and consumers ...". 4/ This may be noted in services such as computer software, theatre plays, or automatic telephone answering machines.

The activities that may be included under the services sector are diverse. For example, nursing, teaching, warehousing, selling insurance policies, computer programming, as well as sweeping streets, are all included. This diversity in activity poses problems for measurement and analysis. Services are often defined as a residual of all activities not included under the primary and secondary sectors, i.e. in terms of what they are not: services are neither agriculture, nor mining, nor manufacturing and so on. Some authors have attempted to focus on the process of production of services, 5/ in which case, services such as transport, communications, and public utilities are excluded from the services sector. Other definitions have been based on common features exhibited by services, which are a descriptive rather than definitive category, relevant to particular points in time, and not historically enduring. 6/

One alternative classification which appears most relevant to the case under study is that of Browning and Singlemann, 7/ who distinguish between four categories of services two of which are "goods-oriented", and two "consumption-oriented". This definition treats services as the tertiary or third major economic sector, along with the more standard primary and secondary sectors, which they have renamed as "extractive" and

"transformative" sectors, respectively. Services are classified under four categories: distributive, producer, social, and personal services (see table 1). The first two categories provide services primarily to the industrial sector, however, some branches included here (such as banks, wholesale trade, and railways) provide their services to agriculture, industry and individuals alike. The output of these two categories is oriented towards the production, servicing and distribution of material goods. In the third category, social services are provided collectively for individual needs and social order. The fourth category, personal services, is a mixture of individually organized activities, provided mainly by individuals and/or enterprises. The output of the latter two categories includes services which are mainly destined towards final consumption.

It is important to note that this classification, while providing a detailed framework for defining services, tends to overemphasize the services sector vis-à-vis primary and secondary sectors. It would be equally possible to identify the different subsectors/branches within the extractive and transformative sectors. Distributive producer and personal services are often grouped together within the "tertiary" sector, with social/public services in a so-called "quaternary" sector. Moreover, the categories presented in table 1 are not comprehensive. Other definitions classify services according to their technological contents, 8/ while the development of the computer industry and the advent of information technology, have led Gershuny and Miles to introduce into the Browning-Singlemann framework a further classification for services: "intermediate consumer services". 9/

It may be inferred from the above discussion that there is a broad range of services that have developed and are still developing in industrialized economies. The growth and size of the services sector in those economies appear to be pronounced for the following major reasons: 10/

(a) The increasing demand for "intermediate" or "producer" services from elsewhere in the economy;

(b) The increasing demand for services, which are income elastic, from final consumers as people get more affluent; and,

(c) A lower rate of increase of labour productivity in the services sector relative to manufacturing.

While these reasons are relevant, the parallel drawn by this "post-industrialization" thesis between the two transitions (agriculture to industry and industry to services) is not certain. The first transition is inevitable with the declining share of income spent on food. However, the second is not inevitable, given that many goods and services satisfy the same demand. Indeed, the third point above (labour productivity) produces a systematic tendency for goods to supplement services over time (for example cars and video recorders as opposed to public transport and cinemas). Thus, there is no reason to expect the industrial sector to diminish in importance in the long run. In the case of newly industrialized or developing economies, therefore, the "inevitability" of services sector primacy is not apparent. Notwithstanding the potential of the Palestinian services sector,

international experience does not point to any one pattern of growth and development that would be likely to prevail during the process of economic development in the Palestinian territory. 11/

## A. The Palestinian services sector prior to 1967

Up to 1948, both the West Bank and the Gaza Strip were highly integrated into the economic network of Mandate Palestine. It was in the north and central coastal areas of Palestine that economic activity was most energetic. The economy of the inland West Bank and the coastal Gaza Strip was by and large based on agriculture. The West Bank, primarily a dry farming area, sold much of its output to the coastal urban centres. The Gaza Strip was primarily a citrus producing area. Both areas also found an outlet for their surplus labour in the central coastal area. It is estimated that up to 1948, at least 80,000 persons from the West Bank worked, both seasonally and for extended periods, in the coastal urban centres. 12/ The Gaza Strip was also economically integrated into the coastal region to the north and it is estimated that around 80 per cent of the Gaza area population depended on contacts with the rest of Palestine for their livelihood. 13/

With the creation of Israel in 1948, the West Bank and the Gaza Strip were severed from the rest of Palestine. This had far-reaching implications for both territories. Their economy lost geographic and functional continuity, and the population (both indigenous and refugee) was disoriented. The West Bank went under Jordanian rule, while the Gaza Strip was governed by Egypt. Economically, both the West Bank and the Gaza Strip lost access to their primary markets and to shipping ports and routes, the source of supply for a wide range of products. Their transportation networks and communication systems were disrupted and rendered redundant; access to jobs for many of the indigenous inhabitants was hindered and many border villages lost much of their agricultural land. Between 1948 and 1967, both the West Bank and the Gaza Strip faced the difficult process of reorienting their economies to Jordan and Egypt, respectively. Both Jordan and Egypt were more concerned with the political stability than with the economic development of these areas.

When the West Bank and the Gaza Strip were occupied by Israel in 1967, their economy was largely underdeveloped, characterized by a huge population as compared to the limited natural resources. Both the West Bank and the Gaza Strip could be characterized as primarily agrarian, with a stagnant industrial sector and a large, but rudimentary services sector. The latter was dependent on the existence of foreign aid and relief agencies, government administration and large military forces, plus tourism (in the West Bank), remittances and unregulated border trade (in the Gaza Strip).

### 1. West Bank

Up to 1948, Jordan was economically oriented towards Palestine but after 1967 the West Bank became economically dependent on Jordan. 14/ Over half of the labour force of the West Bank was employed in traditional agriculture, which was characterized by low productivity and labour-intensity, displaying high levels of under-employment. The bulk of the industrial sector was also labour-intensive, engaged in mainly handicraft and traditional manufacturing which employed family members, and also displayed significant

levels of under-employment and disguised unemployment. There were a few small-scale manufacturing establishments, such as soap manufacturing in Nablus and textile workshops in the Bethlehem area.

By 1967, the Jordanian services sector (including that of the West Bank) had become the main contributor to national output and a major absorber of the labour force. Available statistics indicate that 40 per cent of the Jordanian labour force depended economically on foreign aid. 15/ The main reason for the services sector absorbing the largest share of employment was related to the developmental stage reached in Jordan during this period. The higher levels of income and standard of living associated with this sector prompted a shift of employment of labour from agriculture and industry into the services sector.

Prior to 1967, the services sector in the West Bank accounted for more than 60 per cent of GDP, and employed some 33 per cent of the total labour force. 16/ Trade (both wholesale and retail) was the main activity within the private sector, followed by the tourist trade. The bulk of employment in services was accounted for by the public sector including civil service, education, health, and security services. However, the high contribution of services to GDP was due to the expanding tourism industry, which accounted for a significant share of earnings, offsetting substantially the import bill. 17/

Official statistics indicate that in 1965, one fifth of those working in the trade and services sector were self-employed. 18/ Employers formed 2.2 per cent of the total number of those working in the services sector, while under 80 per cent were employees. Traditional trade services comprised mainly of small businesses including shop owners, news agents, and peddlers, a large number of whom were self-employed. Trade-related services comprised the majority of the medium-sized shop owners and wholesale distributors, and constituted about 6.6 per cent of all those employed in the branch. It is difficult to determine the relative significance of employment in trade and non-trade services branches, as a large number of labourers work without registration. In addition, official statistics do not reflect the level of activity or output of the traditional services branches, in general, and the traditional trade-related branches, in particular. This is partly due to the seasonal nature of the traditional sector, such as farming activities which involve the farmer in the sale of his product, and which are usually classified under the agricultural sector.

Jordanian statistics also indicate that almost 17.5 per cent of the transportation branch comprised the self-employed group, such as taxi and truck drivers who were at the same time owners of their vehicles. This branch employed a larger number of paid labourers than the trade sector.

Of the total number of workers in services delivered by the private sector (such as restaurants, hotels, and entertainment), 90 per cent represented hired workers while the rest were self-employed. Coupled with employees of the trade branches, they accounted for more than 67 per cent of those working in the services sector, excluding those classified as "unidentified activities", i.e. mainly security forces. Some 8 per cent of the labour force of the West Bank was employed by the army prior to 1967.

2. Gaza Strip

By 1948, the Gaza Strip was left with an area of about 350 square kilometres and a total population of around 280,000 (including some 200,000 refugees). 19/ In June 1967, the population totalled 354,000 of whom 207,000 were refugees. During the 1948-1967 period, Palestinians from Gaza Strip emigrated to neighbouring Arab countries in search of employment. Between June 1967 and December 1968, up to 100,000 persons were displaced from Gaza Strip to Jordan, Egypt and the Gulf States. Despite the steady population outflow, the Gaza Strip has maintained one of the highest population densities in the world. In 1967, the population density was over 1,000 persons per square kilometre.

The large population, which was disproportionate to the resources available to sustain it, along with its isolation from the rest of Palestine, placed Gaza Strip in a critical situation. According to S. Roy, the Gazan economy just after 1948 "was on the point of collapse". 20/ The main sources of income were agriculture, fishing, trade, public services and remittances from abroad. Agriculture accounted for more than 30 per cent of gross national product (GNP), and 40 per cent of employment by 1967. With most of its cultivable land gone to Israel, the agricultural sector could not absorb the labour force. 21/ Land became a source of income for only 14 per cent of all households.

The services sector soon became the predominant area of economic activity. The rapid development of the services sector was due to the presence of the Egyptian military forces, the United Nations Emergency Forces, the United Nations Relief and Works Agency (UNRWA) and forces of the Palestine Liberation Army. These provided sources of employment and contributed to the GDP of the Gaza Strip until 1967 when all but UNRWA left. As a result, the services sector was gravely affected. Likewise, much of the trade and tourism in the Gaza Strip that had been encouraged by lower customs duties in Gaza than in Egypt, as well as by the unregulated border trade with Egypt, also disappeared after 1967. Thus, the bulk of the services sector in the Gaza Strip between 1948 and 1967 was built around non-permanent institutions. In 1965, the services sector employed 56 per cent of the labour force, and generated 55 per cent of GNP. 22/

The industrial sector in the Gaza Strip, prior to 1967, was characterized by small workshops engaged in production of traditional crafts. Moderate-sized enterprises were few, and were involved mainly in citrus packing, citrus-related processing and soft-drink bottling. This sector employed between 3,000 and 6,000 persons (a wide variation due to the seasonal dependency of citrus packaging and processing plants), and contributed about 4.2 per cent to GDP. 23/

Employment in the Gaza Strip reflected its depressed economic conditions. The labour force participation rate maintained its low level, standing at 15 per cent in 1968. 24/ This low participation rate was attributed to limited economic activity in the Gaza Strip, and to the high rate of emigration of young men. By 1967, only 39 per cent of the age group between 20 and 44 years was male while 61 per cent was female. In addition, more than half of the population was below the age of 15. 25/ In 1960, it was estimated that around 34 per cent of the total labour force was unemployed (or

some 24,000 persons). Among the refugee population, the unemployment figure for those of working age was estimated at 64,400 persons or 83 per cent of the refugee labour force. 26/

## B. Services in the Palestinian economy after 1967

While developments in the Palestinian economy since 1967 reveal a significant growth in the services sector, this growth has not followed the classical path of services emerging as the tertiary sector in the process of economic development as experienced in developed economies. Whereas in the latter the process of economic development has been associated with progressive industrial growth and economy-wide growth in productivity, the Palestinian economy's industrial sector has remained stagnant, contributing only around 9 per cent to gross domestic product (GDP) in 1987, with declining productivity. 27/ Whereas growth in income in the developed economies was generated internally, growth in income in the territory has been induced by external factors, primarily demand for Palestinian labour in Israel and the Gulf States.

The slow pace of development in the economy of the West Bank and the Gaza Strip since occupation has been mainly due to the lack of a central planning authority, coupled with the interplay of a multitude of indigenous factors that also hampered growth and impeded the functioning of a free market. 28/ The consequences for the economy of the West Bank and the Gaza Strip have been the intensification of structural fragmentation manifested in the weakening of linkages between sectors, the stagnation of the "extractive" or primary sector, the deterioration of many branches of the "transformative" or secondary sector, and the inevitable growing share of the services or "tertiary" sector. It is therefore evident that the services sector of the economy of the Palestinian territory has not developed along the path experienced by industrialized countries, reflecting growth in demand for "intermediate" services from elsewhere in the economy, and a growing welfare function of the State.

The contribution of the primary and especially the secondary sectors to the growth and development of the Palestinian economy has been minimal, as has been their contribution to the growth of the services sector. This has inhibited their coherent and sustained development, which in turn has hampered the development of certain service branches, such as producer services. On the other hand, the same process has promoted the growth of wholesale and retail-trade services.

Another discrepancy, characteristic of the services sector in the Palestinian economy, concerns the internal structure of the services sector. Although variation in the structure of services exists within and between the modern "service economies", these variations are generally minimal. 29/ In the developed industrialized economies, the bulk of growth in employment within the services sector is usually in public services. 30/ This is followed in descending order by producer services (including banking, insurance, real estate, whose growth is derived from increasing demand for "producer" services), distributive services and finally personal services. 31/ For example, between 1973 and 1979, producer services annually contributed between 17 and 22 per cent to the increase in employment in the United States, and from 1979 to 1984, their contribution varied widely

between 17 and 44 per cent. However, in 1989, distributive services in the United States contributed 22.5 per cent, personal services - 17.6 per cent, producer services - 17.2 per cent, and public services - 11.9 per cent of GDP. 32/

Comparable disaggregated data on services are not available for countries of Western Asia. However, existing data do indicate wide variations in the relative importance of services among the countries in the ESCWA region. Looking at economies that depict features similar to the Palestinian economy, distributive and producer services combined accounted (on average during 1982-1984) for 38 per cent of GDP in Jordan, 50 per cent in Lebanon and 28 per cent in Yemen. 33/ For the ESCWA region as a whole, the average was 28 per cent. When the definition of services is broadened to include public/community and personal services (i.e. including all four categories referred to in this study) the respective shares of GDP rise to 66 per cent, 74 per cent and 47 per cent, with the average for the region standing at under 39 per cent of GDP. The large share of public and community services is notable in all these cases.

By contrast, in the West Bank and the Gaza Strip growth in the services sector, both in terms of its contribution to GDP and to employment, has been in the distributive services, concentrated in retail and wholesale trade. The other services branches within the Palestinian economy have experienced marginal or zero growth, reflecting their meagre contribution to GDP and employment. Since 1967, the contribution to GDP of public services has decreased, and its share of employment has increased only marginally. 34/

Table 2 presents official data which group services according to standard national accounts definitions with some deviations: public and community services are combined with electricity and water in one sector (corresponding to the Browning-Singlemann, "social services" category), while transport, trade and other services (corresponding to the distributive, producer and personal services categories) are combined with "errors and omissions". Despite the inclusion of some non-service items, these series confirm the broad outline of limited structural change in the Palestinian economy since 1967. In its most basic form, this has entailed a major decline in the primary sector in favour of secondary sector growth to begin with (concentrated in construction) followed by a growing significance of the services sector (concentrated in the private services branches).

By 1972, when the domestic economy had reoriented itself to the post-1967 conditions, agriculture, including forestry and fishery, constituted over 35 per cent of GDP, the secondary sector (industry and construction) totalled around 17 per cent, while the services sector contributed around 48 per cent. The decreasing share of agriculture, the contribution of which to GDP had reached 22 per cent by 1987, was compensated for mainly by the growing share of the secondary sector (construction) in GDP, which attained 25 per cent in 1975 and has since stayed around that level, peaking at 27 per cent in 1987. This has left the services sector as a residual beneficiary in terms of its relative importance in GDP, which reached over 50 per cent by 1987. However, a growing percentage of services has been concentrated under private services (i.e. non-public/community services), constituting 38 per cent of GDP in 1987 as compared to an all time low in the share of public services of under 13 per cent.

The growth of output in services may be examined in terms of three distinct periods until 1987 35/: 1972-1975 with high rates of GDP growth averaging 20 per cent and 16 per cent per annum in the West Bank and the Gaza Strip, respectively; 1976-1980 with reduced growth at an annual average of 5 per cent and 3 per cent, respectively; and, 1981-1987 with resumed stronger growth at an average rate of 8 per cent and 5 per cent per annum, respectively. These aggregate rates reflect strong growth in construction and moderate growth in services in both regions in the first phase (i.e. at 21 and 11 per cent per annum, respectively); followed by weaker growth in all sectors in both regions in the second phase, with services in the West Bank growing at the highest sectoral rate in the third phase (i.e. at 13 per cent annually), alongside resumed expansion of construction output in both regions. The main impetus to services growth in the West Bank in this third phase came from private services, which grew at an average of 14.5 per cent per annum, double the average annual growth rate of public services. Indeed, growth in private services branches and in the construction sector constituted the prime economic growth poles until 1987. By 1987, private services branches generated $634 million out of a total GDP of $1,690 million. In the West Bank, these branches accounted for over 41 per cent of GDP, much of which was concentrated in distributive and some personal services fuelled by growing external personal incomes and exaggerated rates of final private consumption.

In the period 1988-1990, average annual decline in GDP was estimated at around 10 per cent and 15 per cent in the West Bank and the Gaza Strip, respectively. 36/ This reflected declines of between 6 and 25 per cent per annum in different sectors, except agriculture in the West Bank which expanded by 14 per cent annually in this period. The sectors most affected were those which had benefited during the expansionary period of the mid-1980s until the outbreak of the intifada. Thus, construction in the West Bank and the Gaza Strip fell precipitously, followed by services, with relatively less decline in industry in both areas and in agriculture in the Gaza Strip.

A number of major factors can be seen to have influenced the especially difficult circumstances facing Palestinian services since 1987. These include: the domestic and external market conditions affecting distributive services; the tense security situation affecting most personal services (especially tourism); the heightened uncertainty and conflict regarding the status of the territory which further depressed many producer services; and, the general weakening of central administration of the territory since 1988, manifested in cutbacks of government expenditures on social and public services.

Producer services have been subject to regulatory restrictions and the absence of market conditions conducive to industrial growth. The economy has been deprived of financial institutions which could mobilize and allocate funds into productive investment. Coupled with constraints facing the industrial sector, such as difficulty in obtaining permits to establish firms and limiting access to international markets, this has proscribed industrial growth, thus impeding demand for producer services.

The growth of distributive services within the Palestinian economy, and the stagnation of the primary and secondary sectors, are reflected in the "international" trade structure of the economy. Since 1967, the Palestinian economy has increasingly become an import surplus economy. The import of

goods accounted for over 76 per cent of total imports in 1987 as compared with 73 per cent in 1971 for the West Bank, and over 78 per cent in 1987 as compared to 82 per cent in 1971 of total imports for the Gaza Strip. 37/

In his study of the Israeli service economy, Ofer concludes that "an import surplus which consists for the most part of goods therefore induces the economy to shift from the production of goods to the production of services in order to achieve a balance between goods and services". 38/ It may be argued that this sort of pressure, combined with restrictions on internal development in general, and industrial development in particular, has contributed to the growth of distributive services in the Palestinian economy. However, as there is neither an inherent tendency for an import surplus to induce the economy to shift towards services, nor is there a "natural balance" between goods and services production, the main impetus to distributive services growth in the Palestinian economy has been the restriction on secondary sector development coupled with externally derived income and demand.

This broad shift follows in part the trend in other developing countries, whereby a large segment of the labour force has moved directly from the primary sector to the services sector, and "... services sector development has also been affected by the heavy reliance of many developing countries on the production and export of a single primary commodity or a few of these ...". 39/ However, in the Palestinian economy, this phenomenon is reflected more in the growth of public services than of other services which required less skills. Also, in the case of the Palestinian economy, the move of labour and share of GDP towards services was paralleled by steady growth in output and employment in the construction sector.

Export of labour services, both to Israel and the Arab States, has sustained the large merchandise trade deficit over the years in the economy of the occupied territory, and at the same time, contributed significantly to the growth of per capita disposable income. Thus, growth in the services sector of the Palestinian economy is correlated with (if not dependent upon) a heavy reliance on the export of labour. For the West Bank, the wages of Palestinians working in Israel accounted for around 25 per cent of gross national product (GNP) since the early 1970s. In Gaza Strip, the dependence on export of labour services is even greater, whereby almost half the employed population of the Gaza Strip worked in Israel (by the 1980s). The prevailing levels of income of the occupied territory do not accurately reflect the real level of domestic economic development, in fact, they over-estimate it. Thus, per capita GNP is not always the most relevant indicator of the level of Palestinian development, nor of the potentials of Palestinian services for sustained growth and development.

## C. Intersectoral linkages

Some forward and backward linkages developed between the services sector and other sectors in the Palestinian domestic economy, but overall they have been minimal and unsustained. 40/ Since 1967, the primary sector in both the West Bank and the Gaza Strip has experienced continuous decline in its share of employment. Only limited capital accumulation has taken place and its share of expenditure on GDP remained subject to sharp cyclical fluctuations. Meanwhile, the secondary sector has stagnated in its

contribution to GDP, and its share of employment has increased only marginally. Neither did the surplus labour agrarian economy stimulate growth in the services sector, nor could the secondary sector develop in a manner that encouraged new or expanded services. Since 1967, the development and growth of most branches of the services sector have been most clearly related to the export of labour to Israel, which in turn has generated more income for a larger number of people, allowing for greater consumption of imported manufactured goods.

Nevertheless, some relations between the agricultural sector and services may be discerned. Since 1967, the number of tractors employed in agriculture has increased significantly, rising from 459 in 1970 to 3,972 in 1987 in the West Bank, and from 36 to 734 in the Gaza Strip. This mechanization has contributed to the growth of repair, rental and maintenance services. Furthermore, the increased use of capital inputs such as fertilizer, pesticides and new seeds has led to the growth of retail and wholesale suppliers of these goods, as well as specialists who advise farmers on their use. However, with static market conditions affecting agriculture since the late 1970s, these vital services have stagnated. In some cases, service activities linked to agriculture have declined, such as transport of domestic agricultural output, which has suffered from the abandonment of land in favour of work in Israel, and the deterioration of the terms of trade experienced in agriculture vis-à-vis Israel.

Similarly, the transformative sector, comprising construction, manufacturing and utilities, has developed with only limited reliance on Palestinian distributive services branches, owing to the large proportion of output that is marketed in/through Israel and the predominance of Israeli distributive services suppliers. As noted previously, Palestinian producer services have been primarily oriented to households rather than primary or secondary sector producers. The performance of Palestinian producer services such as engineering, insurance and accounting, as well as business services, has remained weak, and their growth stunted, owing to the lack of demand for such services by Palestinian agriculture, mining and manufacturing which continue to operate within informal and traditional modes. The absence of domestic market or other incentives to the growth of distributive and producer services, coupled with their greater availability in Jordan or Israel, have discouraged their development in the Palestinian territory. This has, in turn, limited the development of dynamic and growth-inducing interlinkages between services and extractive/transformative sectors in the Palestinian economy.

Social and personal services (by definition) largely exclude active intersectoral articulation. In this case as well, much of the growth that has taken place has either been in compensation for weaknesses elsewhere in the branch (e.g. non-profit social services filling the gap in government services) or has relied on demand generated in (and/or channelled through) Israel (such as repair services, hotels, restaurants, entertainment and other personal services).

## D. Contribution to employment

Employment prospects for the labour force of the Palestinian territory remain bleak. On the supply side, the labour force has grown at a strong and

persistent rate, mainly because slightly over half of the population is under 15 years of age. With some 15,000 new entrants to the labour market annually, at least 100,000 new jobs must be created in the territory by the end of the decade, assuming that employment opportunities in Israel remain at the prevailing level. The sectoral composition of the domestically employed labour force confirms the broad outlines of structural change. The largest shifts occurred before 1980, and changes since have been relatively small. In 1989, some 175,000 persons, or 62 per cent of all those employed were working in the territory, compared to 153,000 or 88 per cent of all employed in 1970. Only around 40 per cent of those employed are salaried employees, most of whom are in the services sector working for the Civil Administration and UNRWA.

Since 1967, the distribution of the Palestinian labour force by sector has experienced significant changes as illustrated in tables 3, 4 and 5. The major change in both the West Bank and the Gaza Strip was a shift in employment from agriculture to construction and to services. Employment in Palestinian agriculture has fallen steadily from 39 per cent of the domestically employed labour force in 1970 to 23 per cent in 1987. The share of domestic industrial employment has meanwhile shown a moderate increase from 14 per cent to 17 per cent. 41/ In the West Bank, agriculture in 1970 was the largest contributor to employment, accounting for 42 per cent of the total. By 1987, its contribution had fallen to 26 per cent of total domestic employed. During the same period, the share of employment in the services sector grew from 34 per cent to 45 per cent. 42/ In the Gaza Strip, the same trend prevailed, with employment in agriculture falling from 32 per cent to 16 per cent and that in construction increasing from 5 per cent (in 1971) to 8 per cent by 1987. Services accounted for 58 per cent of the total employed in the Gaza Strip by 1987, as compared to 47 per cent in 1970.

During the first years of the intifada, this declining trend in agriculture was halted and for a time reversed in the West Bank, as part of a "return to agriculture" campaign and emphasis on the "home economy". However, in the Gaza Strip, given the shortage of land and the large refugee population with no access to land, the reversal of agricultural decline only took hold once the authorities placed more stringent limits on workers entering Israel from the Gaza Strip, especially since the 1990-1991 Middle East crisis.

Available data on the internal composition of services sector employment do not permit differentiating between employment in the domestic economy and in Israel. However, the bulk of the Palestinian services sector workforce is employed domestically, leaving around 20 per cent of services sector employment to take place in Israel in 1987. This is still a high rate as compared to under 5 per cent in 1970. An examination of data available on the internal composition of the total services sector workforce (in the territory and in Israel) provides a satisfactory indication of the domestic services employment situation. Accordingly, the share of distributive, producer and personal services 43/ in total employed Palestinian labour force rose from 22 per cent in 1970 to 26 per cent in 1987. In the same period, the share of community and social services remained constant at around 13 per cent. While the latter situation reflects the stagnation in the share of public services, it nevertheless exhibits an annually increasing level of total employment more or less in line with population growth. The growth of employment in other services branches reflects mainly the increase of Palestinian employment in Israel. This is confirmed by the above-mentioned growth in the proportion of

private services sector employment in Israel and the more prominent structural shift in favour of the share of services among those Palestinians employed in Israel as compared to those employed domestically.

Over the period, the trade, restaurants and hotels branch has maintained its share of 13-14 per cent in the total employed, followed by transport and communications with just over 5 per cent and other service branches under 5 per cent until the 1980s. By 1987, employment in the latter branches (i.e. producer and personal services) accounted for slightly more of total employed than that in transport and communications (i.e. reaching almost 6 per cent in 1987). The three private services categories have exhibited slightly greater employment opportunities in the Gaza Strip than in the West Bank, whereas employment in social and community services has been slightly stronger in the West Bank than in the Gaza Strip.

Available data on occupational distribution do not refer solely to those employed in occupations within the West Bank and the Gaza Strip, but also include those employed in Israel. As such, they do not portray a clear picture of the pattern of occupational development of employment in services in the Palestinian territory. However, given that the labourers employed in Israel are usually non-professionals and unskilled, except in construction, it is possible to discern the broad outlines of employment trends in the services sector. Table 6 gives a breakdown of employment by occupation for the Palestinian labour force as a whole, i.e. those employed both in the occupied territory and in Israel.

As is shown in table 6, the two categories which fall within the services sectors, namely sales workers and services workers (transport and communications) have marginally increased their share in total Palestinian labour force since the 1970s. Together, these occupations grew from 16.6 per cent in 1973 to 18.1 per cent in 1987 in the West Bank and from 18.8 per cent to 19.9 per cent in the Gaza Strip. This structural rigidity is mirrored in other categories which correspond to services and other sectors, with administrators and clerical workers together constituting 3.5 per cent of the labour force in both the West Bank and the Gaza Strip since the 1970s. The same trend in occupational development is also noted in the share of scientific, academic and other professional occupations in the West Bank (at 8 per cent since 1973) and in the Gaza Strip (at around 7 per cent). Meanwhile, the main structural shift has been in the relative shares of occupations serving mainly the primary and secondary sectors.

Generally, available data on sectoral and occupational distribution of employment do not show a direct shift of employment out of agriculture and into services. The process has been more complex than that. The period of rapid agricultural decline (1970-1974) is characterized by an equally rapid growth in the number of workers going to jobs in Israel (particularly construction jobs) while Palestinian industry, construction and services show very slow increases in employment. During 1975-1977, all sectors exhibit a stagnant employment situation, with modest growth in domestic construction. After 1977, rapid growth resumed in labour migration to Israeli sectors (again, mainly construction jobs), slow but steady growth in domestic construction and industrial employment and slow agricultural decline. Only the services sector has picked up noticeably after 1979, with more rapid growth since the mid-1980s.

## E. Capital formation in services

Official data on capital formation in services are not available as a separate item. Field data on services are generally deficient and there is but scant information on indicators of investment in some services branches. 44/ Only investment by government and local authority, private investment in building and construction (grouping residential, industrial and commercial construction) and in machinery and equipment, and changes in olive oil stocks are itemized under capital formation. Private fixed capital formation in the Palestinian territory grew from an annual total of $40 million in 1972 to $459 million in 1987 (table 7). 45/ This compares with a slower growth and much lower level of government investment, which grew from $13 million in 1972 to $95 million in 1986. Building and construction works have accounted for the bulk of private and total capital formation in the West Bank and the Gaza Strip. Between 1976 and 1987, annual investment in construction accounted for an average of over 80 per cent of total private fixed capital formation. 46/

Capital accumulation in machinery and equipment in services has been marginal, reflecting the weak performance of the secondary sector. In 1987, around 70 per cent of total Palestinian private capital formation was recorded in the West Bank, slightly below the share of West Bank in Palestinian GDP in that year. Capital formation in the services sector in the West Bank and the Gaza Strip depends heavily on private sector investment. Given the relatively low levels of private non-residential investment in the territory, most services sector growth in investment has taken place in retail and wholesale trade (especially buildings and vehicles) which requires relatively little capital formation as compared to the investment requirements of producer and some personal services.

## F. Services and the balance of payments

The nature of services (intangible, non-storable and non-transportable in most cases) coupled with the lack of detailed statistics on individual service activities make it difficult to undertake inter-country comparisons of productivity and competitiveness in international service operations. It is generally observed that a strong domestic services sector is essential for developing a strong international presence in services. As strong services sectors are generally interlinked with strong primary and secondary sectors, comparative advantage or competitiveness in services may well be a function of both the overall level of development of an economy and the development of the services sector itself. While traditional factors such as capital, labour, geography, cultural affinities with client markets, and political and institutional factors will continue to strongly influence comparative advantage in services, especially in developing countries, international competitiveness in services is increasingly being viewed as being the result of the possession of advanced information and communication structures and the human and organizational skills needed for their further development and application at home and abroad.

This generally has meant that, unlike goods, services production and consumption are usually simultaneous operations, which explain why these have remained largely domestically-oriented. While many services are likely to remain outside the scope of international dealings, trade in other services is

being constantly enhanced by technological advances, particularly in the areas of information and communications, which transnational corporations have been exploiting to offer a wide spectrum of services alone and/or in combination with goods on a global basis. Tables 8, 9 and 10 present the available official data on the balance of payments of the occupied territory for the period 1968-1987.

In the West Bank, import of services ranged from 23 per cent to 26 per cent of the territory's total payments for goods and services since the early 1970s. In the Gaza Strip, services accounted for under 15 per cent of total payments for goods and services in 1975, rising to 20 per cent by 1980 and to 22 per cent by 1987. On the credit side, the contribution of services exports has been significant for the territory, accounting, by 1987, for 65 per cent of total goods and services exports from the West Bank and 67 per cent of total exports from the Gaza Strip. This structure is a reflection of trade patterns that have developed in the territory since 1967, that is, a significant import of merchandise, mostly from Israel, and export of labour services, primarily to Israel.

As the tables show, the merchandise trade deficit of the West Bank has been growing over the years, expanding steadily from $34 million in 1970 to $405 million in 1987. However, in the Gaza Strip the growth in the deficit has been more erratic, exhibiting stagnation or reversal in some years. In both regions, the trade deficit resulted from the growth of imports of manufactured goods, which was compensated for, in part, by a surplus in services, of which labour income was the main contributor. With the availability of external incomes, and the absence of any direct constraints on private consumption, merchandise imports flowed into the territory and the current account balance has remained in deficit since 1967.

The export of services has been the main generator of external resources in the current account, ensuring a surplus which grew annually until 1983. Since then and in particular since 1987, the slower growth and in some cases declines in receipts from this source (especially from labour services) have had negative consequences for the current account position in light of a continued growth in the merchandise deficit. Among the service items of the current account, labour income from Palestinians employed abroad (mainly in Israel) has emerged as the most important item generating the surplus. Income from the export of Palestinian labour from the occupied territory increased from around $100 million in 1972 to $714 million in 1987. Labour exports accounted for 89 per cent of total service receipts in 1972 rising to 93 per cent by 1987. In the Gaza Strip, dependence on labour services export is most noted, with receipts from labour exports rising from $153 million in 1975 to $310 million in 1987, almost a six-fold increase, as compared to a corresponding four-fold increase in the West Bank.

In the goods and services account, all items other than labour services have been in deficit since 1967 (except for investment income for the West Bank in some years). This reflects the narrow productive base and the lack of diversification within the economy, including the services sector. Notwithstanding the positive income aspect of the labour services exports, it highlights the weakness of other tradeable domestic services, the exports of which only rose above $50 million in 1987, after which receipts fell during the intifada. Furthermore, the significance of labour exports to Israel as

the generator of external resources has rendered the Palestinian economy dependent on the economic situation in Israel. With the stagnation in the oil-producing economies of the region since the early 1980s, Israel has become the main employer of Palestinians outside the territory, with income from this source accounting for over 90 per cent of labour income receipts by 1987.

Services provided to Palestinians by Israelis in such areas as insurance, transport and tourism have also grown from $85 million in 1977 to $205 million for 1987. Nevertheless, while the territory's surplus in services remained under $200 million until 1980, it subsequently increased to almost $450 million in 1987. The ability of the territory to maintain a relatively low dependence on external sources for the provision of insurance, transport, tourism/travel and labour and professional services has been instrumental in maintaining a surplus in services as a whole. The relatively low level of service imports, however, coupled with the proportionately larger share of service exports in the current account as compared to merchandise trade exports, has contributed positively to the Palestinian balance of payments. 47/

## G. Regulatory and related factors affecting services

Since June 1967, the Palestinian territory was administered by a military government which assumed all legislative, executive, and administrative powers. Numerous military orders and regulations have been introduced since 1967 which supplement, amend or supersede prevailing Jordanian and Egyptian laws in the territory. 48/ These orders have affected almost every aspect of life in the occupied territory, including a wide range of economic activities. Experience with the financial sector in general and the banking system in particular is illustrative of the impact of the regulatory environment on the scope and level of operation of the services sector. 49/ Other branches comprising the producer services sector, and including such activities as insurance, transportation, real estate dealings and other services offered on the open market have equally suffered from numerous constraints. Social services, in such vital areas as health, education, communications, and a range of welfare activities have also been constrained owing to cumbersome regulations, lack of financial resources, inadequate institutional prerequisites including technical and managerial cadre to ensure the effective operation of these services.

The interventionist economic policy pursued since 1967 has resulted in major changes in the structure and performance of the Palestinian economy. These changes took the form of a decline in the share of agriculture, industrial stagnation, persistent trade and payments deficits, marketing bottlenecks, increased unemployment and large-scale labour migration. The Palestinian natural resource base has been constrained, the financial sector incapable of mobilizing resources and private consumption has been fuelled mainly by non-domestic sources of income. The Palestinian economy was thus restrained in its scope, scale and rate of growth, and its structure fragmented by external economic pressures. Factors that contributed to this situation include unregulated access of Israeli goods to the market of the occupied territory, minimal infrastructure development, impediments to industrial development and to access to cultivated areas. Accordingly, the Palestinian economy grew increasingly dependent on the expanding Israeli economy in numerous spheres. 50/ For example, the West Bank and the

Gaza Strip became the second largest export market for Israel after the United States of America. In 1987, imports to the Palestinian territory from Israel were valued at over $580 million. 51/ During that same year, the GDP of the occupied territory totalled under $1,750 million.

A similar situation is reflected in the sluggishness of the Palestinian manufacturing sector, as the West Bank and the Gaza Strip constituted a lucrative market for Israeli industrial output with which many Palestinian producers found it difficult to compete. With the decline in the primary (extractive) sector and stagnation in the secondary (transformative) sector, demand for producer services did not grow and supply did not expand. Spurred by the employment of over 100,000 Palestinians in Israel until 1987, aggregate demand grew steadily, including demand for distributive services, such as retail and wholesale trade, and to a lesser degree transportation.

## H. Complementarities and regional trade in services

At first glance, it may appear that socio-economic links between the Palestinian territory and its neighbours, especially Israel, are complementary. Israel, an advanced industrial country, has been mainly short of unskilled labour while the occupied territory, with a much less developed economy, has had surplus labour. However, the problem with this complementarity is that the flow of funds generated by the export of surplus labour has not been channelled into productive investment. That is, the long-term potential benefits of these surpluses could not materialize within the Palestinian economy. Furthermore, the persistence of surplus labour in the territory has not been a function of endogenous factors alone, but has also been the result of a constrained environment affecting marketing and investment in various productive areas of the economy. These and other factors have impeded growth in the economy of the West Bank and the Gaza Strip, and checked the expansion of their capacity to absorb surplus labour. Thus, the "complementary" relationship between the occupied territory and its most advanced and dynamic neighbour, i.e., Israel is most simply depicted by an exchange of labour for goods. Palestinian surplus labour has met Israel's labour shortages while increasing import of goods has compensated for the territory's deficient productive capabilities. Recent developments in Palestinian and Israeli economic relations are expected to deal with these and other issues of interest to both sides.

A somewhat different complementarity between the Palestinian economy and the neighbouring Arab countries is noted in the field of services, which derives from a variety of factors including the overall pattern of resource endowment, geography, and differences in stages of development, levels of skills and education. Though detailed and comprehensive statistical evidence to substantiate the importance of services in the regional context is scarce, it may be observed that intraregional service flows have had a strong impact on the overall development process and on the level of output, employment and balance-of-payments situation of both the exporting and importing countries. The regional market, moreover, is expected to assume added significance as an outlet for the export of new services being developed or envisaged by some countries.

The most important impact of services in the regional context, and probably the most elusive to quantify, has come from "labour-embodied"

services which are associated with the movement of Palestinians between countries and which are "extracted" in the country of destination. Services provided by "imported" manpower have spanned virtually all aspects of economic and social life ranging from highly paid sophisticated occupations, such as medical care, consulting and engineering services, to manual occupations at the lower end of the occupational scale. In return, the labour-providing countries have benefitted from the opening up of more remunerative employment opportunities for their manpower, and the associated income and foreign exchange flows which have exerted a profound influence on the course and pace of their socio-economic development. In this respect, Palestinian skilled and semi-skilled labour has served widely throughout the Arab region since 1948, and especially since 1967.

An important service with a regional dimension in which Palestinian entrepreneurs have also been involved is related to the movement of goods. A significant portion of merchandise trade entering or leaving the region and of intraregional trade is in the form of transit trade. In addition, transit services have been associated with the export of crude oil through pipelines linking the production sites and export terminals on the Mediterranean, and more recently on the Red Sea, and overland. Transit services have benefited: the countries of passage by generating income (fees, royalties, etc.) and employment; the countries of destination by reducing the cost of importing and, in some cases, providing the only means of obtaining goods; and the countries of origin by saving on transportation costs and overcoming temporary obstacles to exporting via normal channels. However, despite the existence of agreements intended to facilitate transit trade and/or govern the distribution of benefits, political factors and conflicting national interests have often disrupted the smooth flow of goods in transit and raised transaction costs.

The regional dimension has also played an important role in the development of tourism in the countries of Western Asia, including the Palestinian territory. Lebanon, Egypt, Syria, Jordan and Bahrain have, for different reasons, offered a strong attraction to the nationals of other countries in the region, resulting in significant foreign exchange earnings. At the same time, the experience of these countries in the various facets of tourism (hotels, restaurants, entertainment) has been helpful in setting up and strengthening the touristic infrastructure in the region as a whole. In this the "demonstration" effect has played an important role. The impact of the Baalbeck cultural festivals in Lebanon on Jarash festivals in Jordan is one such example. The regional potentials of the Palestinian touristic sites and Palestinian tourism branches have been largely stifled since 1967, but Palestinians' long experience in receiving and partially absorbing international tourist flows through Jordan and Israel is a significant asset.

Among the other important services whose impact spills over national frontiers are consultancy and engineering services, business and management services, and public administration services. Consulting and engineering services supplied by Palestinian entrepreneurs and other Arab nationals have contributed to the efforts of the Gulf States to improve their physical infrastructure. Business partnerships, mainly with Lebanese, Jordanian, Syrian and Palestinian counterparts, have helped to meet the shortage of managerial cadres in oil-producing countries. Public administration support services, in the form of advisers and consultants from Egypt and Jordan and

the Palestinian territory have also been instrumental in meeting the growing requirements of the Gulf States in the area of public administration until they could develop their indigenous capabilities.

Services have been the concern of numerous intergovernmental agencies, professional federations and training institutions, established mainly within the framework of the League of Arab States and the Council of Arab Economic Unity. These include, the Arab Standardization and Metrology Organization, Arab Council for Civil Aviation, the Gulf Organization for Industrial Consulting, Arab Tourism Union, Arab Postal Union, Arab Telecommunications Union, General Federation of Arab Insurance Companies, Arab Air Carriers Organization, Federation of Arab Banks, Arab Seaports Federation, the Arab Maritime Transport Academy and the Arab Institute for Training and Research in Statistics. 52/ At the subregional level, the Gulf Cooperation Council countries are trying to coordinate activities in the field of services through sectoral committees. At the bilateral level, a number of agreements have been concluded relating mainly to air and land transport, transit and tourism. Palestinian professionals have been active in the establishment and operation of many of these cooperative activities while representatives of Palestine have participated as full members of most of these regional intergovernmental institutions since the mid-1970s. More serious and intensive efforts are needed effectively to integrate the Palestinian territory in general and its services sectors in particular in the operations of these regional organizations.

## Chapter II

## THE STRUCTURE AND PERFORMANCE OF SERVICES BRANCHES

Services enter the economic cycle either as final outputs, or as inputs such as "producer services" into the production of goods and services. As inputs, they also provide the means by which production reaches users in both domestic and foreign markets. As such, they are indispensable for the interdependent functioning of domestic and world markets and for promoting the international division of labour. As a key component of the overall infrastructure of a country, adequate services in such areas as transportation, communications, trade, finance, insurance, business services, and public administration are critical for the growth and development of other productive and service branches. Using the broad system of classification already introduced in previous chapters, the following sections review available data on those branches which may be identified as the most significant services in the occupied territory.

### A. Distributive services

#### 1. Transportation

The transportation sector in the occupied Palestinian territory depends, primarily, on demand and investment originating in the private sector. Government's role is restricted to regulation of the transportation industry and provision of basic infrastructure. Generally, deficient capital accumulation in this sector is compounded by a shortage of managerial skills and knowledge, and an obsolete regulatory framework, resulting in poor quality of transport services.

##### (a) Domestic transport

Domestic public transportation services can be categorized according to geographical areas served. These are basically internal (within the urban centre), regional (between villages and the regional urban centres) and interregional (between the urban centres of different regions).

The main providers of public transport are privately-owned bus companies, and privately-owned taxis. Bus companies are owned either by an individual or a family, or by a partnership. The ownership of taxis is more variable. 53/ A family or individual may own a fleet of taxis and hire a driver, either on the basis of salary or salary plus commission. A taxi may be owned by one person or several partners, who hire a driver (who may also be a partner). Finally, a taxi may be owner operated, that is, it is owned by the driver.

Both bus companies and taxi owners must have a licence to work on specific routes. Since 1967, licences have been granted by the military governor. Bus companies and taxis based in east Jerusalem obtain licences from civilian rather than military authorities, as they are governed by Israeli laws. This does not, however, mean that they face no restrictions. Since 1967, very few new licences have been issued for new routes or for increased service on existing routes.

In addition to licensing, the transport sector faces financial constraints. Some bus companies own licences to operate a greater number of buses such as Dir-Dibwan Bus Company, but the cost of increasing the number of buses is higher than the potential returns. There is a constant increase in taxes levied on the bus companies, such as value added tax, security tax, income tax, road tax and route privilege tax. In addition, licensing, insurance and maintenance expenses must be added to operating costs.

Capital outlays on the transport infrastructure of the occupied territory have been small. Most of the roads under the jurisdiction of the central authority are generally in the same condition as they were in 1967. Only repair work and general upkeep to maintain minimum safety standards of these roads has been authorized. Every year teams of workers are sent out to major roads to fill up potholes. In many cases, the potholes reappear a month or two later, and remain in need of repair until the next year. In most cases, this situation may not be detrimental to the Palestinian tourism sector, since tourists remain largely confined to the Jerusalem-Bethlehem metropolitan area where roads are generally of good quality.

The only roads in the occupied territory that have been improved or completely re-built are either those that allow access to new settlements or that allow Israeli settlers to by-pass Palestinian population centres. The cost of these roads has been mainly covered by the military government budget for the West Bank and the Gaza Strip. Palestinians have benefited very little from the newly-built roads which serve the settlements. The total length of class "A" roads in the West Bank increased from 368 kilometres after 1967 to 731 kilometres by 1987. The additional 363 kilometres of new roads were aligned to conform to Israeli geo-strategic considerations, that is, east-west axes linking Israeli settlements in the occupied Palestinian territory with metropolitan areas in Israel, thus rendering them of little use to the Palestinian population or to the Palestinian tourism infrastructure.

In 1990, some 84 bus companies operated 420 buses within the West Bank and the Gaza Strip, of which, 360 operated along the various routes while 60 were licensed but inoperative. It is estimated that 1,000 drivers, workers and employees are employed by bus companies in the West Bank. The companies' bus routes were originally licensed during the British Mandate period and have not been changed radically since. The distribution of buses according to their scope of services is as follows: 54/

- Buses operating urban (internal) routes: 36
- Buses operating on regional routes: 269
- Buses operating interregional routes: 115

As table 11 shows, the number of taxis increased from 828 in 1970 to 942 in 1987 in the West Bank. The number of buses increased from 394 to 614 over the same period. Table 12 indicates that in the Gaza Strip, the number of taxis decreased from 790 in 1980 to 773 in 1984, and showed no change up to 1987. The number of buses increased from 28 in 1970 to 68 in 1987. The most pronounced increase has been in private vehicles: 1,626 in 1970 to 39,091 in 1987 in the West Bank and from 1,293 to 18,761 in Gaza Strip over the same period. The growth in private transport vehicles and the stagnation in public

transport vehicles, is due to heavy regulations on mass transport and the availability of moderately priced, second-hand vehicles in Israel, a major source of supply for Palestinians.

Internal transport networks have been established in the major urban centres of the occupied territory which form the hub of regional trade: Nablus, Jenin, Tulkarem and Qalqilia in the northern area of the West Bank, Ramallah-Bireh and Jerusalem in the central area, and Bethlehem and Hebron in the southern area. For the Gaza Strip, Gaza City, Khan Yunis and Rafah are the main urban centres. Internal transport of people and goods within these urban centres is served by privately-owned bus companies, in addition to the services of up to five private taxi companies.

The transport of goods within urban centres - in both the West Bank and the Gaza Strip - is carried out by a variety of vehicles, ranging from large, modern trucks to mule-drawn carts or hand carts. Between these extremes, a variety of vehicles are employed, the most popular being double cabin pick-up vehicles. These vehicles transport anything that can be loaded onto them, from sheep and donkeys to cement, steel and gravel. However, there are usually two rates: the Israeli Government rate and the company rate, with the latter considerably lower. Rates are established according to distance, and load (that is, a double cabin pick-up charges a standard fee, as does an eight-ton truck). The rates charged move in line with the price of fuel but are not structured on a transparent basis.

Regional transportation services connect the eight regional urban centres of the West Bank with the villages scattered around them, and in the Gaza Strip, the three major urban centres are thus linked to villages and surrounding refugee camps.

Bus companies monopolize the routes they operate. However, the number of buses that they can run on a specific route is determined by their licence. For example, the Bir-Zeit Bus Company serves the route between Ramallah, a regional urban centre, and the village of Bir-Zeit in addition to some 10 other villages in the vicinity, but can only operate a maximum of 19 buses on this route. Obviously, the larger the village or the refugee camp, the greater the number of daily trips connecting the village and the urban centre. In the smaller villages, bus service is limited to one round-trip per day, as in the case of Kufer Ein (population approximately 800), where a bus leaves for Ramallah at 7.30 a.m. and returns at 2.30 p.m. Residents who wish to travel at any other time must walk about three miles to the main road to catch a bus or a taxi to Ramallah.

Privately-owned taxis connect Jerusalem with other urban centres and villages/refugee camps in the West Bank and the Gaza Strip. These taxis are mostly diesel-engined, seven-passenger cars. The taxis wait in turn, at specific locations, until they are filled with passengers before starting their trip. The taxi fare is usually a third or more higher than that of a bus. Only villages with a significant demand have adequate service. Smaller villages are served by fewer taxis and hence, a less frequent service to and from the village. In addition, more than half of the villages of the West Bank do not have a taxi service and residents use the taxis or buses at the point nearest to their village.

(b) International transport

The Palestinian territory has been isolated from direct international sea and air transport links since 1967. The West Bank, being land-locked, has to rely on Israel and Israeli agents for sea transport. Prior to 1967, the only airport in the West Bank, at Qalandia on the outskirts of Jerusalem, was only capable of receiving small aircraft on internal flights from Amman. The airport has been closed to Palestinian use since 1967 and now functions as a domestic airport for Israeli light aircraft in private, commercial and military use. Since 1967, air transport for the West Bank population has been accessible either through Lod Airport (now Ben-Guorion) in Israel or, across the bridge, through Amman Airport.

On the Mediterranean coast, the Gaza Strip has not been allowed free use of its seashore since 1967. Prior to that, a small commercial port served the duty-free zone in Gaza Strip as well as the export trade between the Gaza Strip and eastern European countries. It has faced, since 1967, the same conditions as the West Bank as far as air and sea transport is concerned and is deprived of direct international air or sea links. However, the Gaza Strip has a small fishing fleet of some 400 vessels of various size which catch between 20 and 60 tons of fish a day.

Companies supplying domestic transport services to tourists visiting religious or historic sites are located in east Jerusalem. Prior to 1967, there were 3 companies providing transport for tourists, which increased to 11 in the mid-1980s. However, by 1990 only seven companies were in operation, all located in east Jerusalem. The closure of a number of companies was due to a variety of factors, including competition with Israeli bus companies, the decline in tourism during the intifada, and financial and technical problems culminating in bankruptcy. The number of buses owned by these companies reached 140 by 1987, but decreased to under 100 by 1990. 55/

While there are no available data on the distribution of tourists by type of transport or level of expenditure, items in the balance-of-payments accounts of the occupied territory on transport and travel abroad can help to show a general trend. In 1970, transport payments by the territory totalled $3 million, while no payments were made to the territory under this item. By 1987, payments by the territory for transport services abroad rose to $46 million, while $18 million were received, leaving a deficit of almost $30 million. 56/ During the same period, payments by the territory for travel abroad rose from $8 million to $56 million, whereas receipts increased from $4 million to $15 million. There has been a growing demand for international transport and travel services, but Palestinian entrepreneurs could not provide these services directly and instead they have been obliged to work through third parties.

There has been a declining trend since 1980 in the absolute value of travel receipts and since 1968 in the proportion of travel receipts to total receipts from services in the occupied Palestinian territory, as indicated in table 13. In 1968, total travel receipts totalled $17 million; after falling under $10 million for several years. Receipts again reached $17 million by 1980 only to fall again in subsequent years. Travel receipts as a percentage of total services receipts dropped significantly from 77 per cent in 1968 to under 10 per cent by 1970 and then continued falling to reach 2 per cent

in 1987. On the other hand, travel payments abroad increased in absolute terms during the period 1971-1981 and then stabilized under $50 million during the period 1982 to 1986.

## 2. Communications, mass media, and information services

### (a) Telecommunications

The telecommunications systems in the West Bank and the Gaza Strip are almost completely integrated with the Israeli network, and have been kept under the control of the Israeli civil and military authorities for various reasons but related mainly to security. Although integrated, there is a functional differentiation between the efficiency and quality of services provided to Palestinian and Israeli customers. In 1990, there were 13 major telecommunications facilities in Jerusalem, Nablus, Hebron, Gaza, Jenin, Tulkarem, Qalqilia, Ramallah, Jericho, Bethlehem, Khan Yunis, Rafah, and Deir-El-balah. These facilities provide local direct exchange telephone lines, international telephone service through the international trunk switching centre and telegraph services.

In the West Bank and the Gaza Strip, some 40 towns and cities are connected to the major telecommunications facilities via direct exchange devices. Around 40 other localities are served by semi-automatic exchange boards with incoming lines directly connected to the closest major telecommunications facility and manual switchboards for local connections. Most of these facilities serve only a limited number of customers in each town or village. About 40 additional localities are served by magneto-type devices linked to only one or a very limited number of posts in smaller or more remote villages and refugee camps. The total number of telephone lines in the territory is estimated at around 45,000-50,000 lines. There is a limited number of telex and facsimile services facilities.

The telecommunications system in east Jerusalem was connected and integrated within the Israeli system only a short time after its annexation. Consequently, the telecommunication services available to enterprises involved in the tourism sector in east Jerusalem are of a satisfactory standard, with direct access to international lines, telex, cable, and facsimile facilities.

Much of the central West Bank network is connected to the Israeli exchange in Jerusalem; the Tulkarem and Qalqilya networks have been connected to Israeli regions across the green line; the Hebron network is connected to the Israeli settlement of Kiryat Arba and Gaza Strip is directly linked to the neighbouring Israeli exchanges. However, only a small number of Palestinian households have telephones. In Hebron, for example, there are only 2,000 telephones serving 70,000 residents, i.e. there is one telephone for every 35 individuals, a rate which is only higher than the average rate for the least developed countries (1 phone per 100 persons). 57/ The situation is worse in the rural areas. In the Bir-Zeit district, for example, a central manual exchange system, dating back to the early 1950s, serves 100 subscribers in Bir-Zeit and 17 other villages in the region with two lines. Each of these villages has one or two telephones, in many cases out of order since 1967. 58/ In these villages the only means of communication with the outside world is via travel to the regional urban centre.

In the West Bank, only 37 towns and villages out of a total of around 400 are connected to the telephone networks, and of these only the major towns are connected to an automatic system. The manual system is based on technology inherited from the British prior to 1948, and requires the caller to wait in queue until the local operator answers and takes the number, then puts the call through and reconnects the caller to his party. Before Nablus was connected to the automatic system in 1985, it was often faster to travel to Nablus and come back to Ramallah, or Bir-Zeit, than to wait for a telephone call to go through.

(b) Mass media

Palestinian mass media is concentrated in the printing medium. Notwithstanding the impact of occupation policies on the Palestinian press in the territory outside east Jerusalem, it has witnessed unprecedented growth since the 1970s. By 1990, there were five daily newspapers, seven weeklies, five bi-weeklies, and three monthly magazines in circulation in the territory. Prior to 1967, only three newspapers were published in Jerusalem, and one in Amman.

All Palestinian newspapers, magazines and other periodicals are published in east Jerusalem. The publications are circulated throughout the West Bank and the Gaza Strip, although occasional bans are enforced on some. Publishing in Jerusalem is favoured over other parts of the territory because the Israeli Ministry of the Interior is entrusted with media supervision there. The east Jerusalem media functions under Israeli laws, making it easier to publish there than in other parts of the occupied territory which are subject to military orders and regulations.

Nevertheless, Israeli press laws applied to Palestinian publishers in Jerusalem have been restrictive with a high degree of censorship, especially during turbulent periods. Censorship has generally dampened the incentive to develop quality journalism in addition to the domestic political influences brought to bear on the Palestinian press. In the rest of the West Bank and in the Gaza Strip, laws governing the press are more severe than in east Jerusalem and thus there are no papers or magazines published there. The military authorities have reserved the right to close a publication for as long as conditions or security considerations dictate.

The Palestinian press employed in 1990 some 277 individuals on a full time basis, of a total of around 312 journalists in the West Bank and the Gaza Strip. The total work force in the press offices' management and services departments was 600. There were about 50 press offices (Palestinian and foreign) operating in the occupied territory, many of which had sprung up since the start of intifada. Subsequently, the authorities closed down some offices on grounds of security. 59/ Of the total 50 newspaper, magazine and other press offices, 14 were located in east Jerusalem, and the rest scattered throughout the West Bank and the Gaza Strip (mainly agency representatives). These press offices either worked for particular newspapers or agencies, or were freelance offices catering to the Palestinian and foreign presses.

Under the occupation, other mass media, such as television and radio, have not been accessible to Palestinian ownership and operation, primarily

owing to "security" considerations. So, Palestinians in the occupied territory have come to rely upon the Jordanian, Israeli, Syrian and Egyptian television networks for audio-visual news and entertainment. Television viewing is licensed in Israel and fees are collected from all residents of east Jerusalem; no fees are imposed elsewhere in the territory.

(c) Information services

Information services in the occupied Palestinian territory are relatively unsophisticated. This is the case with private, but more so with public information services. The forms of information services available to West Bank and the Gaza Strip Palestinians are limited to official Israeli statistics, Palestinian university libraries and research centres, which are either private profit-making or non-profit institutions.

University libraries cater to a limited segment of the population, mainly students, and suffer from lack of funds to develop and enlarge their information base. In addition, Israeli authorities have banned certain scholarly publications on Palestinian issues which are available freely in Israeli universities. University research centres also face shortages of funding for serious information gathering. In addition, field surveys require the approval of the military authorities, who have been reluctant to authorize such activities.

Since the early 1980s, the Palestinian community has been aware of the need for independent research and information-gathering. As a result, a number of institutions have been established to meet this need, specializing in development affairs, labour issues, human rights, legal affairs and other academic or professional fields. In the West Bank, there are 5 libraries attached to universities, 13 to the municipalities and charitable institutions in the different cities of the West Bank, and 2 libraries belonging to the Catholic Mission. These libraries contain a total of 1.5 million books, and employ over 300 people. In the Gaza Strip, in addition to one university library, there are five other libraries belonging to the different religious and charitable institutions, totalling among them around 500,000 books and employing over 300 workers and employees. All of these libraries rely on the support of international and local donations, and on collecting minimal fees when lending books.

3. Domestic wholesale and retail services 60/

(a) Trade in agricultural commodities

From the farm gate, fresh output is channelled to the central municipal markets scattered across the West Bank and the Gaza Strip. Many producers also function as wholesalers. They transport their produce to the central markets to sell to retailers or commission agents. In the West Bank and the Gaza Strip, more than 70 per cent of total agricultural domestic consumption is exchanged through central markets. However, there is a significant increase in agricultural output sold at roadside stands, where growers act as retailers. In short, farm-gate, wholesale and retail functions of agricultural marketing are intertwined, owing to the enormous expense of transporting, processing, grading, storing, and selling of goods.

In the Gaza Strip, commission agents perform a variety of functions, including providing credit to farmers, determining farm-gate prices and transporting produce to packers. These middlemen possess monopolistic power in the marketing of citrus fruit. Cooperative societies in the occupied Palestinian territory have played a growing role in marketing agricultural produce in both the local and export markets. In the Gaza Strip, four agricultural cooperatives concentrate their efforts solely on marketing functions.

In the West Bank and the Gaza Strip, membership in growers' associations is voluntary. Associations have no control over production, their main function being to obtain a consensus among growers with respect to prices. For agricultural commodities such as citrus, contracts are signed between the growers and marketing companies which guarantee an agreed price, while the association ensures that agreed quantities of citrus are delivered. For other crops such as vegetables, growers allocate their production between the domestic retail market and export markets through agricultural cooperative societies.

By 1989, there were 200 cooperative societies in the West Bank (organized in district level associations) and 4 in the Gaza Strip. In 1988, eight district cooperative societies in the West Bank merged to form the Agricultural Cooperative Union. This step was aimed at improving the efficiency of those societies in the domestic and export marketing of agricultural products. In Gaza Strip, cooperative societies have succeeded in improving their performance in marketing agricultural products including those for export, as they received financial and technical assistance from international non-governmental organizations (NGOs).

Investment in storage facilities, including cold storage, is an absolute necessity for modern marketing requirements. These facilities contribute to: adjusting the annual agricultural supply of fresh fruits and vegetables, extending the marketing period for these perishable products so that they are made available to consumers during most of the year and reducing export price fluctuations.

In the West Bank and the Gaza Strip, cold storage facilities are not up to the required level either in technical aspects or absorptive capacity. Most storage facilities are obsolete; cold-storage capacity is still limited. In 1990, there were eight cold-storage facilities with a six thousand cubic metre capacity. More cold-storage facilities were needed so as to stabilize prices of agricultural products. In addition, many wholesalers rented cold-storage space in Israel to adjust their sales in local markets. The setting up of advanced cold-storage facilities requires a huge capital outlay. This is aggravated by the high cost of borrowing capital and the lack of credit facilities to farmers. In addition, the measures and regulations adopted by Israel and Jordan regarding the type and quantity of produce that can enter their countries and the time when produce can be transported during each season, have made major investments in storage facilities unattractive.

(b) Trade in manufactured goods

Wholesale functions for manufactures are performed in the West Bank and the Gaza Strip with varying degrees of efficiency. That could be attributed

to the regional economic disparities within the occupied territory, the level of development and the marketing infrastructure. Generally, wholesale firms in the occupied territory are fragmented with a few employees and relatively weak resources in terms of both quantities and varieties of goods available for marketing. There are around 1.5 thousand wholesalers in the West Bank and one thousand in the Gaza Strip, accounting for 1 per cent of total labour force of both regions. During the Gulf crisis of 1990/1991, many wholesalers in the West Bank and the Gaza Strip applied for import permits from the Civil Administration to make up for shortages in foodstuff supplies.

Data on retailing are not available for the West Bank and the Gaza Strip. Some Palestinian estimates indicate that a retail outlet employed on average only one person in 1987. Furthermore, the average number of customers per retail outlet was estimated to be very small, at about 100. Retailing in the West Bank and the Gaza Strip, like other developing countries, is either large-scale or small-scale. Large-scale retailers usually act as wholesalers and distributors, indicating that the range of the retail activities can vary. Minimal modernization in the retail sector has taken place, as reflected in the existence of some supermarkets and larger-scale outlets in major cities.

By 1987, more than 65 per cent of West Bank and the Gaza Strip imports from abroad (via Israel) came through Israeli import agents. Most of the importers in the occupied territory lack technical and marketing skills to import directly from abroad. Many Palestinian importers found that it was more convenient to import through Israeli agents who enjoyed some government support, ensured that the Palestinian received shipments on time and avoided lengthy security checks. Import agents in the occupied territory act mainly as distributors of Israeli and foreign goods. However, large wholesalers are engaged in direct importing both for their own outlets and for redistribution to smaller wholesalers and retailers in the West Bank and the Gaza Strip.

Further useful insights may be gained from examination of statistical data on wholesale and retail commerce in east Jerusalem, the main urban centre of the Palestinian domestic trade sector. According to Jerusalem municipality tax files, 61/ the number of Palestinian wholesale and retail trade establishments in the east Jerusalem and old city central business district grew from 946 in 1969 (of which 15 were wholesalers) to 1,287 by 1982 (of which 56 were wholesalers). Retail establishments in 1982 were mainly: cosmetics and souvenirs (413), food (322), clothing and footwear (261). Some 20 to 40 establishments were engaged in each of the other retail branches (building supplies, office supplies, electrical goods, furniture, books and toys, home utensils and watches and optical instruments). According to data from a field survey conducted in 1986, 62/ there were a total of 1,505 retail establishments in east Jerusalem (including a wider area than the previously mentioned data). These were mainly in souvenirs (435), food supplies (418), clothing and footwear (278) with the other 350 outlets concentrated in the other secondary retail branches. The growth in conspicuous consumption among Palestinians in the 1980s in Jerusalem has been clearly reflected in the apparent growth of retail trade outlets in this important centre of Palestinian commercial and economic activity.

## B. Producer services

### 1. Financial services and institutions 63/

Financial intermediation - the function of providing easy access to liquidity, mobilizing resources, and facilitating trade - is an essential component of any economic development process. It is essential that savings be safeguarded and even more critical that they be channelled into productive investment. Without investment, there can be no growth. Unless the sources of investment are largely domestic, an economy can become increasingly indebted to foreign Governments, private institutions or individuals - an unsustainable situation in the long run. Small open economies are subject to numerous external shocks over which they have little control, and so prudent macroeconomic management is crucial for their stability.

There has been no central authority in the occupied Palestinian territory to take charge of macroeconomic planning within which a financial management system can function. Therefore, the severe external shocks to which the economy of the territory has been subjected, cannot be promptly mitigated. Fiscal policy plays no stabilising or allocating role and decisions concerning monetary policy are taken by two central banks - the Bank of Israel and the Central Bank of Jordan - both of which are (understandably) concerned with financial and economic issues in their respective countries. The Palestinian economy is neither fully integrated into the Israeli economy so as to take advantage of its system, nor quite independent of it so as to be insulated from the impact of adverse developments in Israel.

The financial sector in the West Bank and the Gaza Strip is weak and largely fails to provide traditional functions of banking institutions. All indigenous banks were closed by the occupation authorities in 1967, and only two branches of Arab banks were permitted to reopen, one in 1981 and the other in 1987. Although weak financial systems are common in developing countries, regulations peculiar to the occupied territory have combined with a public mistrust of the banking system, resulting in the existence of a small and debilitated formal banking sector. Moreover, sources of investment funding depend largely on external income, and are thus subject to fluctuation.

In spite of the unstable political and economic situation, there is a high demand for credit. This is attributed to inadequate banking services especially for financial intermediation aimed at mobilizing savings and channelling them to productive investment. Owing to the absence of a strong formal financial sector, a fairly extensive "informal financial sector" exists, composed of moneylenders, credit circles and the more formalized cooperative societies and credit institutions. Whereas these actors in the financial scene facilitate certain transactions, they cannot be expected to substitute for a strong formal banking sector.

Until 1988, both Israeli banks and two Arab/Palestinian banks operated in the territory along with a variety of formal and informal financial institutions, ranging from cooperative societies and credit agencies to money changers. None met the requirements demanded of financial institutions in the West Bank and the Gaza Strip. Since 1988, Israeli banks have ceased operation in the territory, further exacerbating the situation until recently when

additional branches of Arab banks were allowed to open and operate in the territory. Salient developments in this vital branch of service are examined in greater detail below.

(a) Israeli banks

Towards the end of 1984, 6 Israeli banks were operating 30 branches in the occupied Palestinian territory. These banks served mainly as a source of overdraft funds for trade transactions, continuing until 1987. In 1984, only 8 per cent of total credit supplied by Israeli banks in the occupied territory went to Palestinians, the rest was borrowed by Israeli settlers. 64/ More recent data are not available, and it is difficult to obtain a breakdown between Palestinian and settler deposits in these banks. Israeli banks charged between 25 per cent and 28 per cent interest on loans made to Palestinians, and paid real rates of interest on deposits at 8 per cent or 9 per cent, making such deposits attractive. However, Palestinians tended to hold only short-term cash balances with these banks for the following reasons: the high rate of inflation increased the expectation of risk in holding accounts in Israeli shekels; Palestinians feared that accounts were subject to scrutiny leading to arbitrary taxation or even confiscation by the authorities; and, many Palestinians refrained from dealing with Israeli institutions owing to considerable social pressure to avoid such banks, despite the fact that they were a valued source of letters of credit for many Palestinian importers.

(b) Palestinian and Arab banks

Prior to 1967, 8 banks, with a total of 33 branches, operated in the West Bank, and 3 banks operated in the Gaza Strip (only one of which was a local bank with 2 branches). In June 1967, total assets of the banks in the West Bank was put at 15 million Jordanian dinars, with credit accounting for 10 million Jordanian dinars and a credit/deposit ratio of 70 per cent. By 1990, two non-Israeli banks operated in the occupied Palestinian territory: the Bank of Palestine in Gaza Strip (it was not allowed to operate in the West Bank) and the Cairo-Amman Bank in the West Bank (which was not allowed to operate in the Gaza Strip). Neither could conduct operations in east Jerusalem.

(i) The Bank of Palestine

The Bank of Palestine was established in 1960 under the Egyptian administration. It was closed after June 1967 but was permitted to reopen in 1981 without being allowed to deal in foreign exchange. Nevertheless, after long negotiations and legal procedures, the bank was later permitted to deal in foreign exchange and foreign currency denominated transactions including letters of credit for importers.

At the end of 1990, the total assets of the Bank of Palestine were approximately $13 million. 65/ The Bank's portfolio was managed very conservatively: in 1990, total loans extended amounted to almost $2 million, far below the demand. 66/ The Bank's liquidity ratio (ratio of cash to total assets) was 73 per cent, up from 48 per cent in 1984; 67/ this was three times the legal limit in Israel. The ratio of loans to deposits was

roughly 21 per cent, which, although twice as high as that of Israeli banks operating in the occupied territory before the intifada, remains low by international standards.

The constraints faced by the Bank of Palestine certainly affected the degree to which it has been able to intermediate effectively in the financial market of the Gaza Strip and to contribute to economic development in the area. By 1987 the Bank of Palestine had not yet succeeded in mobilizing available resources, however small, and allocating them to needy and priority areas, and it had thus not contributed to an increase in output and income. 68/

(ii) The Cairo-Amman Bank

The Cairo-Amman Bank, with headquarters in Amman, re-initiated operations in the West Bank in 1986 with the opening of four branches. By 1991, the Cairo-Amman Bank reportedly had a $40 million credit line, with $16 million in loans outstanding. Of its total loans, 25 per cent were in default (that is, falling behind by one to three payments). The bank charges 9 per cent for loans, plus an additional fee of 3 per cent. Data on total assets of the bank were not available at the time of preparation of this study.

The Cairo-Amman Bank has not been allowed to deal in foreign exchange and is permitted to have deposits only in Jordanian dinars, paying an interest rate of 3 to 5 per cent. However, as of 1992 the bank had reached its ceiling on allowed deposits and was no longer accepting new deposits. Although the value of Jordanian dinars was considerably more stable than the Israeli currency, it lost roughly 40 per cent of its value against the United States dollar in the late 1980s. As the bank was not permitted to deal in foreign exchange, it had no way to hedge so as to protect its customers against exchange-rate fluctuations. In addition, negative real rates of interest on accounts in Jordanian dinars do not attract large deposits.

The Cairo-Amman Bank submits to dual regulation by both the Central Bank of Jordan and the Bank of Israel, each of whose regulations, priorities and measures may differ. In addition, the Bank is not allowed by the Israeli authorities to deal directly with non-Israeli banks. This restriction places the Bank at a competitive disadvantage with Israeli banks in offering letters of credit. Therefore, for commercial purposes, some Palestinians avoid the more expensive Arab and Palestinian banks and resort to the services of Israeli banks, based in east Jerusalem.

(iii) Development finance institutions

While no Palestinian development finance institutions exist, since 1967 a number of Arab development finance institutions have invested in the territory. Rather than serving as financial intermediaries in the traditional sense, these banks have been a conduit of development funds, primarily from Arab States. Under the guidance of the Jordanian-Palestinian Joint Committee, the Housing Bank of Jordan, for example, extended more than 2,000 loans totalling 13.8 million Jordanian dinar from 1981 to 1985 for the repair and construction of homes in the West Bank and the Gaza Strip. Since 1986, the Industrial Development Bank of Jordan has managed a loan programme - primarily for small-scale enterprises - under a 1 million Jordanian dinar grant from the

European Community. A third Jordanian-based bank, the Bank for the Development of Municipalities and Villages, had granted over 600,000 Jordanian dinar in loans to 18 localities by the end of 1984.

(iv) Cooperative societies

In the absence of a fully functioning banking system, cooperative societies have taken on added importance in the occupied Palestinian territory, particularly in the agricultural sector. Cooperatives, which are based on communal membership, are considered to have a potential to enhance productivity at the local level. However, the role of cooperatives in developing countries has not been always successful in this respect.

Cooperative societies in the territory have been an important source of credit since the time of the British Mandate. In 1966, some 238 cooperative agricultural societies operated in the West Bank comprising more than 14,000 members and extending $1.6 million worth of loans. In the Gaza Strip, only 17 cooperatives with just over 2,000 members were operating during the same year. 69/ By 1978, the cooperatives performed only a few activities. However, subsequently they have received extensive support from bilateral and non-governmental donors.

The Agricultural Cooperative Union is essentially a coordinating mechanism for the 200 cooperatives still active in the occupied Palestinian territory (with a larger number registered but dormant). Although many cooperatives seem to have been the primary focus of donor interest and funding, others, including women's cooperative societies, have received substantially less funding even though they played an important role in promoting small-scale enterprises. Loans have been provided by the cooperative societies to members for housing, purchase of equipment and machinery (e.g. tractors, olive oil presses and the like) and physical infrastructure, including irrigation canals and feeder roads in agricultural areas. The cooperatives also provide such services as assistance in export of goods and management of small-scale development projects.

While significant support was provided by international donors to Palestinian cooperatives until the early 1980s, since then funding levels have decreased substantially. Of special concern to donors has been the relatively low proportion of equity to total resources available to cooperatives. It has been estimated that the average cooperative society has only 10 to 20 per cent of its resources in equity capital. This may be the consequence of dependence on donor aid, with little effort to promote sustainability. Coupled with unsophisticated managerial skills, this has resulted in low repayment rates on loans to members, estimated at 30 to 50 per cent in 1986.

(v) Other credit institutions

Credit institutions set up since 1987 have served as a mechanism for disbursement of revolving credit funds received from donors in the West Bank and the Gaza Strip. These institutions have no other formal financial

intermediary role such as cheque cashing or investment of savings. Four local institutions have provided loans to industries and business firms since 1987:

i. Arab Development and Credit Company (ADCC), founded in 1987, provides loans for agricultural projects. With loan capital totalling $3 million in 1991, repayment of 30 per cent of which was overdue by more than 90 days;

ii. Cooperation for Development (CD), founded in 1987, provides loans for agricultural and industrial projects. Its loan capital estimated at $2 million, the repayment of 8 per cent of which was overdue in 1991;

iii. Economic Development Group (EDG), founded in 1988, provides loans for both agricultural and industrial projects, with a loan capital of $2 million, the repayment of 40 per cent of which was overdue in 1991; and,

iv. Technical Development Company (TDC), founded in 1989, to provide loans for industrial and agricultural projects. Whereas data are not available on outstanding loans, its loan portfolio amounts to $3.2 million.

The impact of these institutions on economic development in the territory has thus far been small. By late 1991, the amount of loans extended totalled $6.8 million, 70/ most of which were relatively small (between $5,000-$60,000, though most averaged $10,000) and were provided to small and medium-size enterprises. 71/ The interest rate applied ranged from 4 to 4.5 per cent, except for CD which charged 8 per cent interest.

The primary source of funding for these credit institutions was the European Community, which until 1991 provided 70 per cent of all liquid assets of these institutions. The Welfare Association, a Palestinian non-governmental organization based in Geneva, was the second most important source of funds in terms of volume, providing initial start-up costs for most of these institutions.

(vi) Informal credit markets

Given the weakness of the formal financial system, it is not surprising that a variety of informal financial intermediaries have emerged. The most prominent of these are the "moneychangers", or dealers in foreign exchange in the parallel market. Moneychangers have, in fact, operated in the West Bank and the Gaza Strip before 1967 (when there were approximately 40), but their numbers and the variety of their activities have increased sharply since then. As of the end of 1986, an estimated 200 moneychangers operated in the West Bank, most of whom were not licensed by either Jordanian or Israeli authorities.

In addition to currency exchange, moneychangers hold short-term deposits. Operating on the margins of legality, they are entirely dependent on their reputation and on the tolerance of the authorities. Since these dealers typically do not maintain written records, there are frequent disputes between them and the fiscal authorities concerning their tax liability.

Although the moneychangers fulfil an important function, they do not and cannot fill the need for financial intermediation in the territory. The current underdeveloped nature of financial intermediation means that the main source of credit is family connections. This system has at least three disadvantages: it is small and fragmented, thus leading to only a limited degree of financial intermediation; it is ultimately dependent upon family wealth, which often is a function of remittances; and, it reinforces traditional business practices that impede successful economic development.

2. Insurance services

Insurance services are limited in scope and comprehensiveness in both the West Bank and the Gaza Strip. Almost all of the insurance agents operating in the territory work for Israeli firms, as only two Palestinian companies exist: the Arab Insurance Establishment and the Jerusalem Insurance Agency. Usually, in addition to insurance services, these agents also handle travel and related services.

There is a significant number of insurance agents, representing Israeli brokers, operating in the West Bank and the Gaza Strip. Up until 1987, about 40 to 50 agencies were in operation. This is primarily owing to compulsory automobile insurance; automobile insurance is reported to account for 80 to 85 per cent of all insurance premiums in the territory, 72/ which were estimated at $27 million in 1986. 73/ All those funds were held in Israel, including those of the Palestinian companies, and are seldom invested in the West Bank or Gaza Strip. Insurance companies retain 82 per cent in liquid assets, most of which are held either as cash in hand, cash in banks, or deposits in foreign currencies. Their investment share in companies accounts for only 0.03 per cent; extended loans and investments in security bonds amount to 1 per cent of their assets.

The Arab Insurance Establishment, with mainly automobile rather than life insurance portfolios, was established in the mid-1970s. It is governed by both Jordanian and Israeli law. As a result, it is required to maintain a minimum of 40 per cent liquidity, but actually maintains a higher percentage. In 1984, over 80 per cent of its assets were in the form of time deposits in Israeli banks, with reinsurance secured in London.

The Arab Insurance Establishment has allocated part of its funds to local investment projects by subscribing to major shareholding firms in the West Bank, despite the fact that such investments were not lucrative even when compared with time deposits held in branches of Israeli banks. A relatively small part of its resources was allocated to lending for commercial and construction purposes. In 1984, almost 9 per cent of its $25 million in assets was in the form of loans and discounted bills.

Despite the increase in insurance transactions in 1984, almost no change was recorded in the size of the insurance services deficit in the balance of payments by 1987. Whereas the total turnover in insurance-related payments to and from the occupied Palestinian territory was around $10 million in the mid-1970s (with a $3 to 4 million deficit), the value of transactions surpassed $50 million in 1984. Insurance transactions receded thereafter, ranging from $20 to $40 million annually. The deficit remained relatively low (at under $5 million), owing to the higher rate of growth in exported

insurance services (apparently, related to insurance coverage for imports from/via Israel and Jordan) than in imported insurance services. Most of the latter are devoted to vehicle insurance (with Israeli agencies), though a proportion of such services is also required to cover merchandise exports (CIF), including those effected to/through Israel and the Arab markets.

3. Real estate, construction and engineering design services 74/

In most cities and towns, private individual investment is directed towards housing, as well as commercial and industrial activities. In many residential buildings the ground level is assigned for shops or other forms of commercial activities. In recent years, an increasing number of individuals and institutions have become involved in real estate development activities, including the construction and sale of residential buildings, especially in large cities such as Nablus, Ramallah and Gaza. These activities have been carried out by individual investors, informal partnership or formal real estate development companies.

Even though the concept of building and selling individual apartments is a relatively new one in the West Bank and the Gaza Strip, it has been a common activity in Jordan and other Arab countries for a period of time. Palestinians in the occupied territory are becoming aware of it as one way of contributing to the solution of housing problems, especially in the absence of housing credit institutions.

Construction for commercial and industrial purposes, both by individual investors or by the business establishments themselves, has increased in the last few years. Several businesses, manufacturing companies and commercial firms have been increasingly involved in construction. The establishment of municipal industrial zones in the larger cities has been accompanied by increasing construction in these zones. Nablus, Ramallah and El-Bireh are the cities which have witnessed the largest activity in this field.

Construction services in the West Bank and the Gaza Strip are a combination of traditional and modern practices. Traditionally, the "builder" performed the functions of both the engineer and contractor as well as participating in the physical labour. Today, the "builder" is more or less a contractor, who is hired by the owner of the construction project, retaining some of the traditional responsibilities, such as overseeing the implementation of minimal technical and engineering standards. The scope of engineering services provided usually depends on the project. In the building of a private house, the engineer provides the blueprints, and may or may not be required to visit the site. The contractor, in many instances, takes on the responsibilities of the engineer from the start of the project. For larger projects, such as factories, schools or hospitals, engineers are required to be on site almost continuously.

A field survey conducted in 1985 75/ concluded that of total construction completed between 1967 and 1985, 56 per cent of its financing originated from abroad. This comprised over 62 per cent from private remittances, with the balance of external resources provided mainly by the Jordanian-Palestinian Joint Committee. A significant proportion of financing provided domestically was generated from employment in Israel. By 1985,

over 30 per cent of the employed labour force of the West Bank, and about 50 per cent in the Gaza Strip, were employed in Israel, almost all in the construction and housing sector.

Financing is only one hurdle that Palestinians must overcome so as to construct a building. A building licence must be obtained from the authorities before construction may commence. As table 14 shows, not all applications for building are approved by the authorities.

Employment in the construction industry increased significantly in both the Gaza Strip and the West Bank between 1987 and 1990. In 1989, 11 per cent of employed Palestinians in the West Bank worked in construction - primarily housing construction - as compared with 10.7 per cent employed in 1980. On the other hand, there was a 73 per cent increase in Palestinians employed in this sector in the Gaza Strip rising from 7.3 per cent of employed persons in 1980 to 12.6 per cent in 1989.

There is an adequate supply of qualified engineers in the territory, as table 15 shows, which has made it difficult to find employment for all. This is evident from the high rate of unemployment among qualified engineers, estimated at around 28 per cent in 1990. 76/ The major impact of this situation has been that many engineers have left the territory during the last 25 years in search of better jobs and better pay, mainly in the Gulf States. However, the situation deteriorated starting with the intifada and culminating in the 1990/1991 Middle East crisis, with many returning engineers finding no work.

Most engineers are self-employed. A newly qualified engineer can either secure a job with a local firm, which is difficult and pays only about 150 Jordanian dinar (about $210), or open his/her own office. Many opt to open their own offices (usually operating from their homes) rather than work for others. Those who do work in others' firms usually do so for one or two years at most, eventually opening their own offices as well. While 10 per cent work with local firms, 90 per cent work from their own offices. In 1990, there were 170 engineering offices located in the different cities of the West Bank. There are no reliable data available for the Gaza Strip.

Engineers face a tight market for their services, as conditions of supply and demand have led to high unemployment and low income levels. Demand for engineering services, as has been shown, is determined by political stability, policies and income levels. The continuing growth in supply of engineers, on the other hand, does not correspond with the present demand situation. It is estimated that at present, local universities are graduating on average 65 engineers per year, in addition to those graduating from universities abroad, levels that exceed the local economy's capacity efficiently to absorb and allocate this important element of Palestinian manpower.

4. Accounting, legal and other business services

Only partial data are available on some of these vital branches of Palestinian producer services, whose development over time (in terms of differentiation, scope, sophistication and trading) vividly reflects an economy's overall progress. Their close relationship to the growth of

primary, and especially, secondary sectors renders their potential role significant. In the case of the Palestinian economy, however, such interlinkages are weak (see chap. I). The growth of these branches has been erratic and by most accounts the Palestinian business sector in the occupied territory has been isolated from modern and efficiency-oriented modes of operation and has consequently been unable to expand and interact dynamically with other branches and sectors.

Accountancy services increased significantly after Israel introduced value added tax and clamped down on income tax collection in the late 1970s. A detailed system of taxes, duties and fees was enforced in the territory before 1967, which may be broadly classified under direct (income tax, property tax, land tax), and indirect (customs duties and excises, education tax, fees and charges) taxes. The main task of accountants, as viewed by the Palestinian taxpayer, is to minimize the tax bill and keep clear books with the tax office. By 1990, there were 23 accounting offices certified (by Israeli authorities) in the West Bank and the Gaza Strip. However, there are some accountancy offices which operate with no licences. Furthermore, a large number of accountants are employed by private companies, totalling at least 1,500 in the West Bank and the Gaza Strip.

Other categories of business services, such as management consultancy, product design, marketing and advertising services, have not been available in the territory. However, the Bir-Zeit University Consultation Technology Unit provides some managerial and marketing services by the staff of the Economic and Commerce Faculty. In addition, a firm in Ramallah specializes in product design, packaging and marketing, employing 10 specialists, but demand for such services and its scope for expansion have remained limited since 1967.

The situation of legal professionals in the West Bank and the Gaza Strip is somewhat complex. There are two groups of lawyers: one group receiving their salaries from the Lawyer's Union in Jordan, which has been on strike since 1967 in protest against the imposition of Israeli military law. The other group, many of whom entered the profession after 1967, practise through the existing legal and judicial framework. Those who continue to boycott the legal system do so on the basis of refusal to recognize the authority of the military over legal matters, the transfer of the appeals court from east Jerusalem to Ramallah (when east Jerusalem was annexed by Israel in 1967) and the application of Israeli law over east Jerusalem. Those who continue to work have handled mainly security cases, defending political activists and those accused of military action against Israeli forces and property. Civil court action requiring the services of lawyers is not significant as those matters are often resolved out of court.

Some 261 lawyers practised in the West Bank and 253 in the Gaza Strip in 1990 (see table 16). In the West Bank, about 40 per cent of the lawyers ran their own firms, while about 50 per cent did so in the Gaza Strip. The lawyers' role is largely limited to real estate, trade and business transactions. In addition, some 30 lawyers from the West Bank and the Gaza Strip work in the Israeli military courts to defend Palestinian detainees.

A final insight into these and preceding producer services is provided by references to broadly comparable data for east Jerusalem in 1969, 1982 and

1986. These give some indication of the relevant trends in an important component of Palestinian producer services during the occupation period. As shown in table 17, between 1969 and 1982, the number of producer service establishments in the central business district of east Jerusalem grew three-fold, from 50 to 154. By 1982, there were 14 financial and insurance establishments, 14 real estate and engineering offices, while accounting, legal and other business services grew from 44 to 126 establishments. Three branches witnessed different trends in the early 1980s, however, whereby financial and engineering services continued to grow, albeit at a slower rate than in the 1970s. This is consistent with the higher levels of financial transactions in the 1980s (remittances, aid and merchandise trade revenues with Jordan and Israel) and the related construction "boom" of the period. However, other producer services appear to have declined significantly in the same period, back to post-1967 levels. While this may reflect particular conditions affecting east Jerusalem, it corresponds to the trends identified in this study affecting non-service sectors in the 1980s.

## C. Social services

### 1. Doctors, hospitals, dentists, pharmacists 77/

According to the West Bank Medical Association, in 1990 there were some 1,234 doctors registered in the West Bank, most of whom were employed in the 15 local hospitals (government and private), private clinics, or non-governmental medical organizations (see table 16). 78/ In the Gaza Strip, some 700 doctors were reported to be registered, half of whom were employed by seven local government and private hospitals. 79/

The ratio of population to doctors in the West Bank showed a significant improvement, from 1,203 persons per doctor in 1985 to only 891 in 1990. This was mainly owing to the increase in the number of graduating doctors returning from their studies abroad after 1985. 80/ In 1990, the Gaza Strip registered a ratio of around 900 persons per doctor, especially owing to UNRWA's extensive medical network in the Gaza Strip. Whereas the doctor/person ratio improved, the number of hospital beds per population deteriorated. Only 15 hospitals were in operation in the West Bank in 1990, down from 25. In 1990, the number of available beds was put at 1,320 beds in the West Bank and at 933 in the Gaza Strip.

The services offered by the health care sector are primarily based on curative medicine. With the exception of UNRWA clinics for children, there are no programmes for preventive medicine in the West Bank or Gaza Strip. The services provided by government hospitals are standard medical services; if specialized care is needed, the patient is referred to Israeli hospitals. Neither the operating budgets, nor the technical levels of government hospital allow them to provide better services. Private hospitals also face budget constraints. Private hospitals are usually operated by non-profit organizations both local (such as al-Makassed Hospital in Jerusalem and in Gaza City) and international (such as St. John's in Jerusalem), which rely on international funding for major investments or expansion of services.

Table 16 shows that there were 276 dentists in the West Bank in 1990. The number of dentists in the Gaza Strip was not available, but according to

one estimate, there were at least 200. 81/ Dentists in the West Bank operate out of some 50 clinics, mainly located in urban centres.

In 1990, 310 pharmacists worked in the West Bank in 150 commercial pharmacies and 9 pharmaceutical manufacturers. Another 110 pharmacists worked in 43 pharmacies and a variety of medical establishments in the Gaza Strip during the same year. In the West Bank, pharmacists adhere to the Pharmacists Association which was established in 1952. The association is in charge of granting exclusive licences.

2. Education: universities and higher education 82/

In the West Bank there are five accredited degree-granting institutions: An-Najah University in Nablus, Bir-Zeit University, Bethlehem University, the Islamic College in Hebron, and Al-Quds University which is composed of four separate colleges located in Jerusalem and surrounding towns. Some 900 faculty members are employed, ranging from professors to instructors. In the Gaza Strip, the institutes of higher education are not as numerous. There is one accredited university, the Islamic University, and three vocational institutes operated by UNRWA. Table 18 lists the universities in the territory with their corresponding enrolment and faculty size. In 1987/88, the number of full-time students in these institutions totalled 15,320. The student body is composed of Palestinians from both the West Bank and the Gaza Strip. Of the 11,137 graduates of local universities (most obtain a Bachelors degree) for the academic year 1988/89, 4,337 majored in literature, 789 in education, 2,227 in commerce, 1,430 in Islamic studies, 1,744 in sciences, 360 in nursing and the remaining 250 in engineering.

In addition to universities, there are also 18 other academic institutions with two-year programmes. Three of those are operated by UNRWA: two are teacher training colleges located in Ramallah (one for women and one for men), and the other is a technical college located in Qalandia. Another three colleges which have been financed by the Israeli Civil Administration are located in Tulkarem, Al-Arub, and Ramallah, and two privately run, profit-oriented colleges (non-accredited) are located in Ramallah and Nablus. Other educational institutions and colleges specialize in religious subjects and other studies. The different Palestinian institutions of higher education pool funding and other resources, working through a Council for Higher Education.

3. Welfare, religious and non-profit social services 83/

In 1967, there were 89 charitable organizations in the West Bank, registered in accordance with Jordanian law. The needs of a growing population and the relatively poor level and quality of social services provided by the government encouraged the establishment of non-profit and welfare organizations throughout the occupied territory. By 1983, there were 166 such organizations active in the areas of rehabilitation, vocational education, services for the handicapped, educational (especially preschool) services, health and ambulance services and community services, to name only the major fields.

The Israeli authorities have supervised the activities of charitable organizations and authorized the establishment of new ones. The contribution

of the Israeli Civil Administration to these organizations, some of which provide essential services, is minimal. In the mid-1980s, the total budget of all those organizations, which was five-fold that of the Administration's total welfare budget, was financed by contributions and grants from abroad.

While these organizations have been very active in serving disadvantaged rural and refugee communities, they did so largely without the participation of those they served. However, as of the mid-1980s, a network of Palestinian "grass-roots" organizations acquired prominence, especially during the intifada. Working outside the Israeli authorities' structures, these organizations became an important component of the Palestinian non-governmental social services sector.

4. Government and related services

It has not been possible in this study to investigate in any depth the structure and performance of the Israeli Government and related services in the occupied territory (i.e. the Civil Administration and other Israeli government bodies). However, four areas which have remained mainly within the realm of Palestinian social services are briefly referred to here, namely courts and judges, postal services, chambers of commerce and municipalities (with chambers of commerce being more a distributive than a social service).

The local law in the West Bank is a combination of Ottoman, British and Jordanian legislation, amended or superseded by Israeli military orders in certain situations. In the Gaza Strip, the combination is Ottoman, British and Egyptian legislation. Since 1967, 27 Palestinian judges and prosecutors serve four courts of appeal and nine district courts in the West Bank. In the Gaza Strip, there are four types of courts: municipal, juvenile, magistrate, and district. The judges and public prosecutors are appointed by the military authorities. In both the West Bank and the Gaza Strip, these courts try criminal and civil cases only. Political and military cases are tried in Israeli military courts, where the judge and prosecutor are military officers. Owing to lack of statistics, it is not possible to determine the number of cases heard by the courts.

Postal services are provided through some 60 formal post offices and 200 informal postal agencies. Formal post offices generally provide a wide range of services including local and international postal services, rental of post office boxes, postal bank and monetary transactions, telegraph and telecommunications services. The services offered by informal postal agencies are limited to the sale of stamps, mail collection and delivery of post, and in some cases collecting fines and bills for certain utilities and administrative departments.

The chambers of commerce in the West Bank were established prior to 1967. Although many of their activities have been curtailed, they continue to function. Major towns of the West Bank including east Jerusalem have their own chambers of commerce. A Council of West Bank Chambers of Commerce has been operating since 1967. In Gaza city, the Chamber of Commerce, established in 1954, is governed by Egyptian law. By 1967, all other major towns in the Gaza Strip had established chambers of commerce.

Since 1967, the role and functions of chambers of commerce have been reduced significantly and are now almost confined to local administrative and clerical tasks. West Bank chambers of commerce perform preliminary services related to passport and identity card procurement procedures, as authorized by the Government of Jordan. They also issue notarized legal documents for citizens who wish to entrust others with the management of financial or business affairs in Jordan. In addition, the chambers are authorized by the Government of Jordan to issue certificates of origin for Palestinian goods destined for export to or through Jordan. Their authority in this respect has been recently reaffirmed as a result of the decision by the European Community to accept chambers of commerce as qualified bodies for issuing certificates of origin and ensuring the necessary administrative arrangements for exports to the Community.

Gaza Strip chambers of commerce perform similar functions, geared primarily towards Egyptian regulations. They issue and renew refugee travel documents and identity papers on behalf of the Egyptian authorities and are a recognized authority for the issuance of certificates of origin for agricultural exports. However, the potential role of Gaza Strip chambers of commerce is largely undermined by the Israeli authorities, who restrict their activity and potential expansion. These chambers also face serious financial difficulties as clerical fees are their only source of income.

The municipal status of the 25 West Bank towns does not necessarily indicate a significant scale of operation. In addition to 25 municipalities, a number of village councils exist in the larger villages of the West Bank. Smaller villages organize themselves around committees made up of representatives of the different clans in the village. The activity of the municipalities in the West Bank are governed by the Jordanian Law of Municipalities. They act upon matters as varied as water and electricity supply, the establishment of public markets, butcheries, schools and other municipal services such as tourist information centres.

However, their tasks are restricted to providing services such as collecting water bills, issuing building licences within the municipal boundary, garbage collection, issuing licences to shop-owners, overseeing the market for local produce and other minor matters. These municipalities employ around 5,000 workers in the West Bank and 700 in the Gaza Strip. Their average revenue from tax collection is around $5 million annually.

## D. Personal services

### 1. Tourism-related services

The most prominent personal service activities in the Palestinian economy revolve around the tourism sector and are reviewed below.

#### (a) Hotels

The hotel branch in the territory has been subjected to rapid changes since the onset of the occupation. 84/ During the first three years, there was a marked increase in the number of hotels in the West Bank (outside east Jerusalem), totalling 29 hotels in 1970. As tourism declined the number of hotels operating also declined, reaching only 18 by 1987. The number of

beds/night dropped by 54 per cent, and total number of hotel guests dropped by 75 per cent between 1970 and 1987 (see table 19). Overall occupancy rates declined from 27 per cent to 13 per cent during the same period. There are no official Israeli data available on the performance of hotels in the West Bank since the uprising, but local Palestinian sources have estimated the number of hotels in operation in the West Bank (excluding east Jerusalem) at only six hotels by 1991. Along with the hotels in east Jerusalem, the number of hotels in the West Bank as a whole was 40 in 1990, as compared to 69 in 1970 and 59 in 1967. In 1970, six hotels operated in the Gaza Strip. By 1990, the number had dropped to two hotels, catering to journalists, United Nations personnel and business travellers.

According to local experts, hotels account for around 25 per cent of total touristic expenditures. From a 1990 survey of 36 hotels, of a total of 40 in the West Bank (including east Jerusalem), aggregate investment was estimated at around $85 million. The average investment amounted to $12.9 million for a five-star hotel, $4.5 million for a four-star hotel, $1.9 million for a three-star hotel, $0.5 million for a two-star hotel, and $0.4 million for a one-star hotel. In 1990, 36 hotels employed 900 permanent workers (over 90 per cent of whom were in east Jerusalem), in addition to 147 seasonal workers. The distribution of the labour force per hotel indicates that the average employment is 96 workers for a five-star hotel, 41 for a four-star hotel, and 8 for a three-star hotel.

As of December 1987, overall performance of West Bank hotels worsened owing to the impact of the Palestinian uprising. A field study by the Arab Hotel Association (see also table 20) concluded that the occupancy rate in east Jerusalem and Bethlehem was 24 per cent in the second half of 1989, down 10 percentage points from 1987. Subsequent developments, especially the Middle East crisis of 1990/1991, led to further declines in the performance of the hotel sector. The drop in occupancy rate was most pronounced for one- and two-star hotels. Only one east Jerusalem (five-star) hotel was able to maintain 80 per cent occupancy through the crisis, owing to its excellent location, service and setting.

(b) Restaurants

The range of restaurants operating in the occupied Palestinian territory varies between simple and popular, on the one hand, to stylish and expensive, on the other. Popular restaurants cater primarily to the low-income groups, serving traditional local dishes, whereas expensive restaurants cater to middle and upper income groups, as well as tourists. The latter serve traditional local dishes, in addition to European dishes.

Most restaurants are owner-operated with a few non-family workers. The total number of workers employed in restaurants in 1987 was estimated at roughly 600 in the West Bank. The actual number of restaurants in the territory at any one time is difficult to determine, owing to their large turnover rate, and to the fact that many do not acquire the necessary permits from the local government and health officials so as to avoid paying income and value added tax to the authorities. According to table 21, the number of licensed establishments in 1987, totalled 80 restaurants.

Restaurants were among the service branches hit hardest during the uprising, owing to the closure of local markets by noon, in compliance with the partial commercial strike in force since 1987. This made it hard for restaurants to serve the main lunch and dinner meals to their clients. After months of trying to withstand the pressure, a large number of restaurants were forced to close down for lack of business. By early 1990, it was estimated that 35 restaurants in east Jerusalem had to close down. An equally high rate of closure took place in Jericho and Ramallah. The impact was mostly felt by better quality restaurants, which relied on lunch and dinner meals. More of the smaller popular restaurants, which serve breakfast and light meals, managed to survive.

(c) Other entertainment

The West Bank and the Gaza Strip have suffered from a lack of entertainment centres since 1967. In the West Bank, out of a total of 12 theatre companies, only one theatre operated by 1990. Located in east Jerusalem, the theatre was often closed by police order, as military orders are not valid in east Jerusalem. This theatre, originally a cinema building, is able to seat 300 viewers comfortably, and employs five workers. It has faced constant financial problems. No theatres or theatre companies operate in the Gaza Strip.

Cinemas in the territory have decreased in number since the occupation and particularly after the intifada. A total of 23 cinemas in the West Bank and 7 in the Gaza Strip were in operation in 1967. None of these cinemas remained operational in the wake of intifada in 1987.

The most popular places of entertainment are coffee shops. These establishments cater to males only, and provide a popular meeting place over a cup of coffee, water pipe and a game of cards or dominoes. Almost every village in the West Bank has at least one coffee shop, whereas there were many more in towns and cities: between 10 and 15 coffee shops in small towns, and up to 25 in the large towns such as Ramallah or Jenin. 85/ Coffee shops are also popular in the Gaza Strip, including its refugee camps, providing an important form of entertainment. However, since the intifada, coffee shops lost many of their clientele, owing to the business hours set by the intifada leadership, forcing them to close during their afternoon peak hours.

Sports and social clubs are another form of entertainment centres in both the West Bank and the Gaza Strip. These establishments provide such entertainment as billiards, table tennis, weight-lifting rooms, other sports activities and light refreshments. They are run by religious groups or private individuals. Membership fees are collected, but non-members are usually allowed entry and use of facilities for a fee. These establishments are basically non-profit and tend to close down when demand falls. To operate, they require a licence from the authorities, which in turn can close them down by military order for political or "security" reasons.

2. Repair and other personal services

The contribution of repair and other personal services to the economy of the West Bank and the Gaza Strip is difficult to quantify, owing to the existence of a large "informal economy" comprising activities which straddle

different types of services branches, coupled with the large part of the workforce which relies on providing labour services (including domestic, repair and personal services) to Israel as well as within the domestic economy. There is also a lack of published statistics and studies on the subject. The significance of labour and "multi-sectoral" providers of professional services in the economy has increased since 1967. This is mainly due to the reallocation of productive activity from agriculture to employment in services and in Israel as well as the consequent increased monetization of economic activity that ensued. Changing needs in the territory expanded demand for existing services such as automobile mechanics, and developed demand for new services such as computer maintenance, beauty shops, and domestic (home) services, thus increasing the significance of the services sector in the economy.

At present, there are at least 1,100 licensed automobile repair shops in the West Bank. In Nablus, 110 automobile repair shops operate with a licence, but 40 other shops (or 26 per cent of the total) operate without one. 86/ In Bethlehem only 46 per cent (41 shops) of the automobile repair shops are licensed. This does not include freelance automobile mechanics operating from their own homes.

Palestinian repair services are a notable element of the export of Palestinian services to Israel. In addition to repair services, the "other services" item of the current account in the balance of payment includes items such as financial services, trade-related services including agents' fees, (Israeli-supplied) labour services, including management, and various government services provided from outside the territory which are charged directly to Palestinian residents. Despite the continuing reliance on externally provided services, the balance on services in the current account has been consistently in surplus after 1967, mainly as a result of labour-service exports (to work especially in Israel's productive or service branches). As has been noted, the "other services" item, which consists mainly of payments for Palestinian labour exports, is the only significant receipt category, and is the single most important source of credit to the territory under the current account. Those receipts are erratic, underlining the problems associated with the present degree of dependence on external demand for Palestinian labour. 87/

In a similar vein, labour wages from subcontracting and repair services are classified under the services item of the current account but are not accounted for separately. One indicator of their contribution can be drawn from the difference between total service exports to Israel and gross factor income (pre-tax) paid by Israel to Palestinian migrant workers. This difference appears to cover services such as transport, travel, subcontracting and other services. According to Israeli data for 1980-1984, factor income payments to Palestinians (which exclude wages paid in the occupied Palestinian territory for subcontracting) were equivalent to an average of 94 per cent of total payments for Palestinian service exports, and the rest covers payments for labour subcontracting and other services, equivalent to an annual average of $22 million during the 1980-1984 period. While a portion of this covers payments for non-labour services provided by the territory (including travel and tourism), payments from Israel for these items are considered relatively small.

The exact productive role of Palestinian subcontracting activities is difficult to ascertain and information on it is partial, as is the case of the textile sector. In 1978, some 343 licensed Palestinian sewing and knitting workshops were commissioned to complete primarily pre-cut or partially produced garments for Israeli producers. In 1986, the number of such workshops had increased to 465 although this number may be underestimated by 20 per cent as some workshops were not registered. In addition, many operated from their homes.

The growth of personal services establishments in east Jerusalem during the period 1969 to 1982 is depicted in table 17. This branch of services was stagnant through the 1980s and appears to have actually declined subsequently. While the fall in the number of personal services establishments may not have been as precipitous as indicated in the table, the general crisis faced by the Palestinian tourism sector in the 1980s and the growing decentralization of many other personal (and repair) services away from east Jerusalem into the rest of the West Bank during the 1980s could well explain this declining trend.

## Chapter III

## CONCLUSIONS

Within the context of an overall weak development of the Palestinian economy under occupation, this study has highlighted the pattern and trend in the growth of the services sector which has been relatively significant. The process of growth, however, does not reflect the classical pattern observed in many developing economies that have moved from one phase to another in the process of development. Growth of income in most such cases was largely generated internally, with dynamic linkages to primary and secondary sectors. In the occupied territory, however, it had been induced by external factors, primarily through demand for Palestinian labour in Israel and the Gulf States.

Since 1967, the economy of the occupied Palestinian territory had functioned mainly within parameters set by occupation policies and practices. The consequences for the economy of the West Bank and the Gaza Strip were intensification of structural fragmentation (i.e. the weakening of sectoral articulation) amidst primary sector stagnation. The Palestinian services sector had not developed along a similar path to that of other economies undergoing industrialization, reflecting growth in demand for intermediate services from elsewhere in the economy and in the welfare function of the State. Growth in Palestinian services sectors appeared to have taken place as an alternative to growth in the industrial sector, rather than one of its consequences, corollaries or even causes.

The contribution of the primary and secondary sectors to the Palestinian economy and to its process of development had been minimal, as was their contribution to growth of services. The development of the former sectors had been stifled by the restrictive regulatory and policy framework and unequal competition with the more developed Israeli economy. This in turn had constrained the development of certain (especially producer) services, while promoting the growth of others (wholesale and retail-trade services). The Palestinian economy did not witness the inducement to increased demand for services usually generated by an economy's shift from emphasis on the primary to secondary sectors (manufacturing). Indeed, the growth of the construction sector absorbed much of the human and financial resources which were thus reallocated.

The growth that did occur in services was not part of a comprehensive development process. Instead, what may be termed as "growth poles" emerged in certain services branches which were stimulated by externally generated demand either in the form of international consumers (e.g. tourism) or through the availability of external income and imports, thus increased personal consumption (e.g. distributive services). This did not have a demonstrative or other effect elsewhere in the economy, owing to the weak market, and to institutional and physical inter-sectoral linkages in the Palestinian economy. The specific situation of the occupied territory (e.g. its restrictive regulatory and security environment) was an important factor which discouraged greater investment, and hence growth, in services. Indeed, had the policy and regulatory climate permitted, Palestinian expertise in providing relatively high-quality producer and distributive services

elsewhere in the region could have been an important element of overall investment in domestic services activities. The potentially dynamic role of many Palestinian services branches has yet to be thoroughly explored.

As noted, though growth in Palestinian services was largely demand induced, this was mainly via final consumer demand, thus promoting trade and distributive services. Another salient feature of growth in Palestinian services was its concentration at the lower end of the skill and technological spectrum, with associated lower productivity (as compared to the high productivity gains often cited in cases of development of certain service branches elsewhere). Furthermore, the external linkages of much of the demand for services rendered these branches especially vulnerable to the erratic and turbulent trends in output elsewhere in the economy and in consumer demand for services. This was most vividly exhibited in the contraction in tourism activity, the cuts in public services and the significant consumer compression (affecting especially distributive services) over most of the 1988-1991 period.

However, given the "blurring" of frontiers which is often characteristic of the links between services and some other sectors, the real potential of Palestinian services is not always evident. The very nature of most services provided in (and by) the Palestinian economy implies mobility (geographically, sectorally and occupationally), operation in the frame of a large informal, and unregistered, economy, and relatively rudimentary technological levels. Thus, the true significance of the Palestinian "service economy" may be greater than is statistically apparent, though its growth potential is constrained by prevailing low levels of skills, technological sophistication and capital investment. The ensuing structure (including capital, human and institutional assets) of the Palestinian services sector thus leaves much to be desired in terms of specialization, efficiency and economic growth potential.

Although variations in the relative importance and growth of different services exist within and between the modern "service economies", these have tended to be marginal. For the Palestinian economy, however, strong services growth has involved a contribution to GDP and employment which was concentrated in distributive services branches, growing along with personal income levels until the mid-1980s. The other services branches within the Palestinian economy had experienced either marginal or no growth, reflecting a meagre contribution to GDP and employment. Since 1967, the contribution to GDP of the public and community services sector had decreased while its share of employment had increased only marginally.

Producer services branches had contracted, primarily owing to restrictions imposed by the authorities and the absence of conditions conducive to industrial growth. Prevailing restrictions left the economy with no effective financial institutions to mobilize and channel funds to productive investment in secondary or tertiary sectors. To the extent possible, many Palestinian producer services were provided in-house (e.g. accountancy, advertising, computing, etc.) by firms active in manufacturing, construction or other productive sectors. Otherwise, many requisite producer or lucrative distributive services (e.g. financial, insurance, international transport and communications) were obtained from international suppliers (in Israel, Jordan or Europe). Thus, the incentive to

expand or improve domestic producer services branches was reduced. In a sense, the inefficient (and generally small) producer services branch constituted an additional drag on Palestinian development prospects.

The expansion of distributive services within the Palestinian economy and the stagnation of the primary and secondary sectors were reflected in, and related to, the open international trade structure of the economy primarily with one market (Israel). Since the onset of occupation in 1967, the Palestinian economy had been an import surplus economy, and merchandise imports account for three quarters of total Palestinian imports. The important factor which had allowed the Palestinian economy to sustain a large import surplus over the years, and which at the same time had significantly contributed to growth in per capita disposable income was wage employment outside the territory, mainly in Israel.

Within the current account, the gap between the merchandise deficit and the services surplus had been large in most years (especially since the mid-1980s), with the surplus in services only partially compensating for the steep rise in merchandise imports. The export of Palestinian labour services had emerged as the prime generator of external resources in the current account, ensuring an increasing annual surplus. Since then, and particularly following the 1990/1991 crisis in the Middle East, the fall in revenues from this source had negative consequences for the current account position especially in the light of continued growth in the merchandise deficit. While the export of labour services had its positive income effect (which was also partially transferred to distributive services branches), this greatly overshadowed the gains from export of non-factor services upon which the Palestinian economy could have relied (especially that of some personal and producer services).

In order better to guide and promote the development of the existing potentials of Palestinian services, a number of measures appear pertinent and their implementation increasingly feasible. First, policy-makers, entrepreneurs and investors in the occupied territory need to develop a better appreciation of the role of services in domestic economic activity and international transactions. This is essential for the formulation of a coherent services-sector policy geared to improving the contribution of services to growth and development and to meeting various, and sometimes conflicting, goals towards which the development of services may contribute; these include economic growth, employment, foreign exchange generation, protection of the consumer, improvement of the standards of living, safeguarding political gains and conservation of cultural values.

A Palestinian services policy needs to be elaborated, which would, inter alia, help increase opportunities for business entry, define priorities for investment, assure a smooth and secure environment for services activity, attract international services providers in the framework of a national services policy and enhance direct and indirect links between services and other economic and social sectors. The Palestinian economy can offer a range of existing and future services and the investment in this needs to be carefully studied in the light of domestic and international market considerations. There are a number of choices facing policy-makers and entrepreneurs alike; a balanced and innovative assessment of the potentials of each option will help guide investment decisions and optimize their impact.

An important prerequisite in this regard is the availability of appropriate information and data that would enable the competent authorities to formulate effective policies for optimizing the contribution of the services sector to both the domestic and international markets. As has been noted throughout this study, the services sector is among those which have been the least-documented and surveyed by official or other sources. Comprehensive and accurate statistical information needs to be collected on services (covering output, investment, employment, etc.) and analysed with the aim of defining the structure and potentials of the sector better and planning its optimal development.

There is also a need to generate greater awareness of the significance of services for the region as a whole and to stimulate research on common issues at the subregional and regional levels. Given the overall role of information and communication in the modern service economy - these being key services affecting performance and competitiveness of other sectors - Palestinian institutions should upgrade information and communication systems through the development of joint databases and the pooling and efficient dissemination of technical and other information needed to enhance efficiency and productivity.

The policy formulation process will lay the substantive basis and determine the orientation of the legal framework covering the key areas affecting services branches. The design of a comprehensive set of laws and regulations is needed in most areas of the economy, including in the services sector, in particular for: business licensing and taxation; quality control, safety and other standards; domestic and foreign investment; international services transactions; and environmental protection. The establishment of a clear, modern and liberal regulatory framework for domestic and international services activity will help to define relationships among the concerned branches and institutions and provide the necessary frame of reference for the day-to-day operation of the sector's institutions and personnel on the national, regional and local levels.

Such a framework will also help to determine the public and private institutional needs of the services sector, on sectoral and branch levels. It remains to be seen to what extent, and for what duration, Palestinian public agencies will be required to help launch or promote Palestinian services. This issue might be especially important with regard to those services which are also traded internationally (such as transport, finance, engineering and tourism) and those in which Palestinian suppliers have less experience. In any case, given the existing low level of public ownership of services firms, government involvement in direct investment or operation of services enterprises appears unadvisable. This is so notwithstanding the need for wide-scale upgrading of public utilities and communications networks and ancillary infrastructure upon which efficient services depend.

Palestinian distributive and personal services branches will most likely remain predominant in the sector for some time, at least until the manufacturing sector begins to show signs of reversing its many years of stagnation. In the meantime, further well-targeted investments in crucial links of the existing active services branches (especially transport, trade and tourism) could help to streamline and enhance their performance. In the longer term, increased efficiency in the economy and in the services sector is closely related to the availability of producer services of adequate quality.

This includes important services which are currently weak or lacking in the territory such as: quality control and standardization; labelling, packaging and promotion; storage and handling; management services; computerization; equipment maintenance; and legal services.

The development of these new services in the Palestinian economy is prerequisite to the emergence of a modern services sector and for the healthy functioning of other sectors. Inadequacy in those services, or in the regulatory framework governing them, can create serious bottlenecks in the production and distribution process. For example, public sector support schemes could be considered to provide the lead towards the optimum design of small- and medium-sized businesses services, appropriate to the particular needs generated by the Palestinian situation. In other words, there is no standard format for organizational design. The key issue here is the coordination of different types of support services for different functions and branches.

Technical assistance and training needs are apparent in all sectors of the economy. Indeed, the different services already in place in the territory (especially distributive and personal) would benefit not only from the investment in improved equipment, but also from facilities, infrastructure and institutional arrangements. These are all areas in which each services branch has specific needs and potential for improvement. In addition, since a sizeable proportion of the technologies used in modern services are embodied in people, the development of indigenous modern services is conditional on the development of appropriate human skills in a wide range of occupations, including scientific and technical personnel, as well as economists, statisticians, accountants, lawyers, managers, administrators and other science/skill-intensive occupations. In the long run, the development of a dynamic Palestinian services sector will require policies aimed at upgrading domestic technical and educational infrastructure and programmes across-the-board.

## Notes

1/ Among these have been: S. Kuznets, "Quantitative aspects of the economic growth of nations, II: industrial distribution of national product and labour force", Economic Development and Cultural Change, supplement to Vol. V, No. 4, (July 1957); C. Clark, The conditions of economic progress, (London, 1957), third edition; J.I. Gershuny, and I.D. Miles, The new service economy: the transformation of employment in industrial societies, (New York, Praeger Publishers, 1983); J. Singlemann, "The sectoral transformation of the labour force in seven industrialized countries, 1920-1970", American Journal of Sociology, Vol. 83, No. 3, (1978), p. 1224; J. Singlemann, From agriculture to services, (Beverly Hills, Sage, 1979).

2/ S. Kuznets, ibid.

3/ For a more detailed discussion see: G. Ofer, The service industries in a developing economy: Israel as a case study, (New York, Praeger Publishers, 1967), pp. 16-17.

4/ See UNCTAD and the World Bank, Liberalizing international transactions in services - a handbook (United Nations, New York and Geneva), 1994, p. 1.

5/ V.R. Fuchs, The service economy, (National Bureau of Economic Research, New York, 1968).

6/ See J.I. Gershuny and I.D. Miles, op. cit., pp. 11-12.

7/ See H.C. Browning and J. Singlemann, "The Transformation of the US Labour Force: the interaction of industry and occupation", Politics and Society, 8(7-4), 481-509.

8/ See UNCTAD and World Bank, op. cit., p. 3.

9/ J.I. Gershuny and I.D. Miles, op. cit.

10/ Ibid., pp. 26-29.

11/ One major handicap in analysing the services sector in the occupied territory and its contribution to GDP and employment is the non-availability of disaggregated data. The only available time series data are provided by the Israeli authorities, through the Central Bureau of Statistics (CBS). This data suffers a number of shortcomings, as noted by one Israeli researcher who commented that: "the official reporting of GDP, GNP, exports and imports and balance of payments of the territories is, however, inaccurate at best and misleading at worst". (See M. Benvenisti, 1986 Report: Demographic, economic, legal, social and political developments in the West Bank, (Jerusalem, The West Bank Data Project, 1986), p. 5.) Thus, when dealing with the data provided by the CBS, these problems should be kept in mind. While an attempt has been made to collect data specifically for this study, constraints

imposed by time, limited resources and the local situation, render the data far from comprehensive.

12/ J.S. Migdal (ed), Palestinian society and politics, (Princeton, Princeton University Press, 1980), p. 145.

13/ Z. Abu-Amr "The Gaza Economy", in G.T. Abed, The Palestinian economy, studies in development under prolonged occupation, (London, Routledge, 1988), p. 101.

14/ Jamil Hilal, The economic and social structure of the West Bank during the years 1948-1974, (Beirut, PLO, 1974).

15/ Ibid.

16/ E.H. Tuma and H. Darin-Drabkin, The economic case for Palestine, (London, Croom Helm Ltd., 1978), p. 67.

17/ UNCTAD, Palestinian external trade under Israeli occupation, (New York, UNCTAD/RDP/SEU/1, 1989), p. 50.

18/ "A study of the human resources for the regular organizations". The Jordanian Committee for Reconstruction, Jordan, 1965.

19/ S. Roy, The Gaza Strip survey, (Jerusalem, the West Bank Data Base Project, 1986), p. 5 and 22 "Selected statistical series on balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and Gaza Strip), 1968-1987", (UNCTAD/DSD/SEU/1).

20/ S. Roy, ibid., p. 19.

21/ S. Roy, ibid.

22/ Ibid., p. 67.

23/ Z. Abu-Amr, op. cit., p. 109.

24/ This percentage includes that part of the labour force working in Israel. If only those working in the Gaza Strip itself were considered, the percentage in 1987 would have been almost 10 per cent.

25/ Statistical Abstract of Israel, (Jerusalem, Central Bureau of Statistics, 1970), p. 626.

26/ Z. Abu-Amr, op. cit., pp. 102-103.

27/ Agriculture is the only sector showing a significant growth in productivity, but this has been mainly in areas where irrigation was possible and only when capital had been invested consistently. Dry farming agriculture has shown only marginal increases in productivity, mainly owing to the withdrawal of marginal plots from cultivation.

28/ For a more detailed discourse, see, Y.A. Sayigh, "The Palestinian economy under occupation: dependency and pauperization", Journal of Palestine Studies, Vol. XV, No. 4 (Summer, 1986), pp. 46-67.

29/ J.I. Gershuny and I.D. Miles, op. cit., p. 30.

30/ Though in some cases, like the United States, distributive services employed 26 per cent of the labour force in 1989 - higher than any of the other sectors.

31/ J.I. Gershuny and I.D. Miles, op. cit., pp. 30-31.

32/ R.G. Lipsey, et al., Economics, (New York, Harper & Row Publishers, 1990), p. 515.

33/ ESCWA, "Trade in Services" (E/ESCWA/DPD/87/16), p. 29.

34/ Between 1976 and 1985, the number of public sector employees grew by 1,000 from 10,607 to 11,614, growing on average by less than 1 per cent per year. M. Benvenisti, op. cit., p. 15.

35/ UNCTAD secretariat calculations.

36/ See TD/B/40(1)/8.

37/ UNCTAD, op. cit., (UNCTAD/DSD/SEU/1).

38/ G. Ofer, op. cit., p. 40.

39/ UNCTAD, Trade and Development Report, Geneva, UNCTAD, (1988), p. 193.

40/ This is consistent with the low Leontiff coefficients and minimal linkages historically exhibited by services (as propounded in A.O. Hirschmann, The strategy of economic development, (New Haven 1958), chapter 9).

41/ Report of the Director General, annexes, ILO 78th Session, 1991.

42/ The Israeli CBS has grouped in one sector those employed in the four services categories along with those employed in water and electricity works.

43/ Detailed in CBS data: as (a) trade restraints and levels; (b) transport storage and communication; and (c) other sectors covering financial, business and most personal services as well as electricity and water.

44/ Branch-level data, as available, are referred to in the relevant sections of Chapter III.

45/ UNCTAD, op. cit., "Selected national accounts series of the occupied Palestinian territory, 1968-1987" (UNCTAD/RDP/SEU/6).

46/ Ibid.

47/ See UNCTAD, op. cit., (UNCTAD/RDP/SEU/1), paras. 129-142.

48/ J. Kuttab and R. Shehadeh, Civilian administration in the occupied West Bank: analysis of Israeli military government order no. 947, (Ramallah, West Bank, Law in the Service of Man, 1982), p. 10.

49/ See UNCTAD, "The Palestinian financial sector under Israeli occupation" (UNCTAD/ST/SEU/3/Rev.1).

50/ See M. Benvenisti, op. cit., (1986), pp. 18-19.

51/ Statistical abstract of Israel, (Israel, Central Bureau of Statistics, 1992) table XXVII/12, p. 742.

52/ Economic Commission for Western Asia, Economic integration in Western Asia, (London, Frances Pinter, 1985), Annex I.

53/ The ownership of a taxi is not only the ownership of the vehicle, but also the licence that allows it to operate on a specific route. Usually, licences cost twice the price of the vehicle.

54/ Bir-Zeit University, General transportation in the West Bank and Gaza Strip/problems and solutions, unpublished report, 1991.

55/ According to the Managing Director of the Orient-Kawasmeh Tours Company of east Jerusalem; also see "The tourism sector and related services in the Palestinian territory under Israeli occupation" (UNCTAD/RDP/SEU/7).

56/ UNCTAD, op. cit., (UNCTAD/DSD/SEU/1).

57/ UNCTAD, op. cit., (UNCTAD/RDP/SEU/1), p. 194.

58/ Interviews with village inhabitants and post office officials in the villages.

59/ According to the Chairman of the Arab Journalist Association.

60/ This section is adapted from a study by an UNCTAD consultant, M. El-Jafari, "Main features of domestic and external merchandise trade in the West Bank and Gaza Strip", (UNCTAD/ECDC/SEU/5).

61/ See Hyman et al., Jerusalem in transition (Jerusalem Institute for Israel Studies, 1985).

62/ See A. Alawneh and Q. Abu-Harb, Economic conditions in Arab Jerusalem (Arab Studies Society, Jerusalem, 1988).

63/ For a detailed examination of this subject, reference is made to UNCTAD, "The Palestinian financial sector under Israeli occupation", (UNCTAD/ST/SEU/3/Rev.1).

64/ H. Jabr, The banking sector, (Paper prepared for UNDP, Jerusalem, 1991).

65/ Bank of Palestine, Annual report of the board of directors, Gaza, 1991.

66/ Ibid.

67/ Ibid. and UNCTAD, op. cit., (UNCTAD/RDP/SEU/1).

68/ UNCTAD, "The Palestinian financial sector under Israeli occupation", (UNCTAD/ST/SEU/3/Rev.1).

69/ Ibid.

70/ Peter Gubser, (unpublished report, Jerusalem, 1992).

71/ Field interviews.

72/ UNCTAD, op. cit., (UNCTAD/RDP/SEU/1), p. 48.

73/ Ibid., p. 48.

74/ For an in-depth examination of the Palestinian construction sector, see the study by an UNCTAD consultant, R. AbdulHadi, "Construction and housing in the West Bank and Gaza Strip" (UNCTAD/ECDC/SEU/4).

75/ "Palestine Studies Projects", (Centre for Engineering and Planning, Ramallah, 1986).

76/ Interview with secretary of the West Bank Engineers Union, Beit-Hanina, 1990.

77/ This section only covers salient aspects of the Palestinian health care services sector, which is the subject of an in-depth study by an UNCTAD consultant, R. Giacaman, "Health conditions and services in the West Bank and Gaza Strip" (UNCTAD/ECDC/SEU/3).

78/ Interviews with officials of the West Bank Medical Association, 1990.

79/ Ibid.

80/ Ibid.

81/ Medical Relief Committees sources.

82/ This section does not refer to pre-university education services which are covered in-depth in a separate study by an UNCTAD consultant, K. Shakshir Sabri, "Education in the West Bank and Gaza Strip" (forthcoming).

83/ This section is based on information in H. Salman, "Palestinian women and economic and social development in the West Bank and Gaza Strip" (UNCTAD/DSD/SEU/MISC.4).

84/ See UNCTAD, op. cit., (UNCTAD/RDP/SEU/7).

85/ According to estimates provided by the Trade Union of Restaurant and Hotel Workers, Jerusalem, 1990.

86/ Interview with the Director of the Nablus Chamber of Commerce, 1990. Nablus, West Bank.

87/ UNCTAD, op. cit., (UNCTAD/RDP/SEU/1), p. 57.

TABLES

**Table 1.** Browning-Singlemann sectoral classification

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**I. Extractive**

(1) Agriculture, fishing and forestry
(2) Mining

**II. Transformative**

(3) Construction
(4) Food
(5) Textile
(6) Metal
(7) Machinery
(8) Chemical
(9) Miscellaneous manufacturing
(10) Utilities

**III. Distributive services**

(11) Transportation and storage
(12) Communication
(13) Wholesale trade
(14) Retail trade (excluding eating and drinking places)

**IV. Producer services**

(15) Banking, credit, and other financial services
(16) Insurance
(17) Real estate
(18) Engineering and architectural services
(19) Accounting and book-keeping
(20) Miscellaneous business services
(21) Legal services

**V. Social services**

(22) Medical and health services
(23) Hospitals
(24) Education
(25) Welfare and religious services
(26) Non-profit organizations
(27) Postal services
(28) Government
(29) Miscellaneous professional and social services

**Table 1.** (continued)

**VI. Personal services**

(30) Domestic services
(31) Hotels and lodging places
(32) Eating and drinking places
(33) Repair services
(34) Laundry and dry cleaning
(35) Barber and beauty shops
(36) Entertainment and recreational services
(37) Miscellaneous personal services

Source: Harley L. Browning and Joachim Singlemann, The emergence of a service society: demographic and sociological aspects of the sectoral transformation of the labour force in the U.S.A, (Springfield, VA, National Technical Service, 1975).

**Table 2.** Occupied territory: Sectoral distribution of gross domestic product selected years, 1968-1987

| Year | Agriculture, forestry, and fishery | Industry | Construction and public works | Public and community services, electricity, and water | Transport, trade, other services, and errors | Gross domestic product (at factor cost) |
|---|---|---|---|---|---|---|
| | Percentage | | | | | million $ |
| 1968 | 34.2 | 7.3 | 3.0 | 19.2 | 36.3 | 133.7 |
| 1972 | 35.6 | 7.7 | 9.0 | 15.1 | 32.6 | 276.2 |
| 1975 | 29.6 | 8.6 | 16.1 | 15.6 | 30.2 | 543.2 |
| 1980 | 32.9 | 7.6 | 15.8 | 12.9 | 30.7 | 1 044.0 |
| 1981 | 29.5 | 7.3 | 18.1 | 16.1 | 29.0 | 945.0 |
| 1982 | 26.3 | 7.4 | 18.5 | 15.8 | 31.9 | 1 002.1 |
| 1983 | 23.8 | 7.7 | 18.0 | 17.5 | 32.9 | 1 047.1 |
| 1984 | 18.6 | 7.8 | 17.7 | 20.7 | 35.1 | 988.8 |
| 1985 | 19.8 | 8.0 | 17.2 | 17.3 | 37.6 | 949.7 |
| 1986 | 29.6 | 8.2 | 16.1 | 11.7 | 34.4 | 1 536.7 |
| 1987 | 22.6 | 9.2 | 17.9 | 12.6 | 37.6 | 1 687.4 |

Source: "National accounts series of the occupied Palestinian territory (West Bank and the Gaza Strip), 1968-1987", (UNCTAD/RDP/SEU/6).

**Table 3.** Occupied territory: employed persons by sector, 1968-1988
(thousands)

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1968 | 127.4 | 43.7 | 19.7 | 14.9 | 15.5 | 18.8 | 7.4 | 7.7 |
| 1969 | 162.8 | 66.7 | 21.2 | 18.2 | 18.7 | 22.4 | 7.9 | 7.6 |
| 1970 | 173.3 | 64.2 | 23.4 | 24.1 | 23.6 | 22.3 | 8.2 | 7.5 |
| 1971 | 176.5 | 60.1 | 24.7 | 25.7 | 25.2 | 23.6 | 8.9 | 8.4 |
| 1972 | 188.8 | 57.9 | 28.1 | 34.4 | 26.2 | 23.2 | 9.9 | 9.1 |
| 1973 | 194.5 | 53.4 | 31.2 | 40.1 | 25.9 | 23.9 | 10.3 | 9.3 |
| 1974 | 209.8 | 60.7 | 31.8 | 44.7 | 26.7 | 25.2 | 11.0 | 9.7 |
| 1975 | 205.2 | 53.7 | 32.3 | 46.1 | 27.2 | 25.9 | 11.3 | 8.7 |
| 1976 | 205.8 | 54.0 | 33.1 | 44.1 | 27.9 | 27.2 | 11.1 | 8.4 |
| 1977 | 204.5 | 53.6 | 33.6 | 41.1 | 28.0 | 27.8 | 11.1 | 9.3 |
| 1978 | 211.9 | 54.2 | 37.0 | 44.5 | 27.9 | 27.3 | 11.0 | 10.0 |
| 1979 | 212.4 | 49.8 | 40.1 | 48.2 | 26.7 | 26.7 | 10.9 | 10.0 |
| 1980 | 215.7 | 50.4 | 38.6 | 49.2 | 28.4 | 28.5 | 11.3 | 9.3 |
| 1981 | 215.9 | 46.5 | 36.2 | 53.7 | 29.6 | 28.3 | 12.0 | 9.6 |
| 1982 | 222.9 | 49.9 | 36.2 | 56.1 | 30.7 | 28.0 | 11.5 | 10.5 |
| 1983 | 232.5 | 48.7 | 39.2 | 58.8 | 30.9 | 30.4 | 12.5 | 12.0 |
| 1984 | 241.3 | 50.1 | 40.8 | 59.4 | 32.5 | 33.1 | 13.0 | 12.3 |
| 1985 | 241.7 | 51.1 | 40.5 | 59.2 | 31.9 | 33.7 | 12.1 | 13.2 |

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1986 | 260.8 | 56.5 | 43.7 | 64.3 | 33.1 | 36.5 | 12.8 | 13.9 |
| 1987 | 277.8 | 54.3 | 48.2 | 68.2 | 35.1 | 40.2 | 15.4 | 16.0 |
| 1988 | 281.3 | 63.6 | 44.4 | 71.2 | 32.1 | 38.5 | 15.6 | 15.9 |

Sources: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and the Gaza Strip)", 1968-1987 UNCTAD/DSD/SEU/1), 1993; and CBS, Statistical abstract of Israel, (Jerusalem, 1990).

Notes: Data excludes east Jerusalem.

a/ Includes: electricity and water; financial, business, and personal services.

**Table 4.** West Bank: employed persons by sector, 1968-1988
(thousands)

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1968 | 83.5 | 32.4 | 12.5 | 10.6 | 9.1 | 10.6 | 3.9 | 4.4 |
| 1969 | 109.9 | 49.2 | 14.6 | 13.1 | 11.3 | 12.9 | 4.1 | 4.7 |
| 1970 | 114.6 | 45.0 | 16.5 | 16.8 | 14.6 | 12.8 | 4.7 | 4.2 |
| 1971 | 116.8 | 39.9 | 17.6 | 20.2 | 15.7 | 13.9 | 4.7 | 4.8 |
| 1972 | 125.2 | 38.5 | 19.7 | 26.3 | 15.8 | 14.2 | 5.4 | 5.3 |
| 1973 | 126.4 | 33.4 | 22.4 | 28.6 | 15.7 | 14.5 | 5.4 | 6.1 |
| 1974 | 136.9 | 40.5 | 22.3 | 30.6 | 16.7 | 15.4 | 5.6 | 5.8 |
| 1975 | 132.3 | 36.3 | 22.0 | 30.0 | 17.6 | 15.7 | 6.0 | 4.9 |
| 1976 | 129.7 | 35.8 | 21.5 | 27.6 | 17.3 | 16.8 | 6.2 | 4.5 |
| 1977 | 127.3 | 35.4 | 22.0 | 25.1 | 16.7 | 17.3 | 5.8 | 5.0 |
| 1978 | 131.5 | 36.7 | 23.1 | 27.3 | 17.0 | 16.4 | 5.5 | 5.5 |
| 1979 | 132.8 | 33.4 | 24.3 | 29.9 | 17.1 | 16.7 | 5.9 | 5.5 |
| 1980 | 134.8 | 35.3 | 22.8 | 30.5 | 17.9 | 17.2 | 6.0 | 5.1 |
| 1981 | 133.4 | 32.2 | 21.9 | 31.9 | 19.0 | 16.6 | 6.5 | 5.3 |
| 1982 | 140.9 | 35.5 | 23.2 | 33.8 | 19.6 | 16.7 | 6.4 | 5.7 |
| 1983 | 147.2 | 33.3 | 24.7 | 36.5 | 19.7 | 18.8 | 7.5 | 6.7 |
| 1984 | 154.1 | 34.5 | 25.5 | 37.3 | 21.3 | 20.5 | 7.8 | 7.2 |

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1985 | 151.2 | 33.3 | 24.6 | 37.5 | 20.3 | 20.8 | 7.3 | 7.3 |
| 1986 | 166.8 | 38.5 | 27.2 | 40.8 | 21.1 | 23.1 | 8.0 | 8.1 |
| 1987 | 177.6 | 36.0 | 30.1 | 44.4 | 22.3 | 25.2 | 10.0 | 9.4 |
| 1988 | 183.0 | 43.7 | 29.2 | 45.1 | 20.9 | 24.2 | 10.3 | 9.4 |

Sources: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and the Gaza Strip)", 1968-1987 (UNCTAD/DSD/SEU/1), 1993; and CBS, Statistical abstract of Israel, (Jerusalem, 1990).

Notes: Data excludes east Jerusalem.

a/ Includes: electricity and water; financial, business, and personal services.

**Table 5.** Gaza Strip: employed persons by sector, 1968-1988
(thousands)

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1968 | 44.5 | 11.3 | 7.2 | 4.3 | 6.4 | 8.2 | 3.5 | 3.3 |
| 1969 | 52.9 | 17.5 | 6.6 | 5.1 | 7.4 | 9.6 | 3.8 | 2.9 |
| 1970 | 58.7 | 19.2 | 6.9 | 7.3 | 9.0 | 9.5 | 3.5 | 3.3 |
| 1971 | 59.7 | 20.2 | 7.1 | 5.5 | 9.5 | 9.7 | 4.2 | 3.6 |
| 1972 | 63.6 | 19.4 | 8.4 | 8.1 | 10.4 | 9.0 | 4.5 | 3.8 |
| 1973 | 68.1 | 20.0 | 8.8 | 11.5 | 10.2 | 9.4 | 4.9 | 3.2 |
| 1974 | 73.0 | 20.2 | 9.5 | 14.1 | 10.0 | 9.8 | 5.4 | 3.9 |
| 1975 | 72.4 | 17.4 | 10.3 | 16.1 | 9.6 | 10.2 | 5.3 | 3.8 |
| 1976 | 76.1 | 18.2 | 11.6 | 16.5 | 10.6 | 10.4 | 4.9 | 3.9 |
| 1977 | 77.2 | 18.2 | 11.6 | 16.0 | 11.3 | 10.5 | 5.3 | 4.3 |
| 1978 | 80.4 | 17.5 | 13.9 | 17.2 | 10.9 | 10.9 | 5.5 | 4.5 |
| 1979 | 79.6 | 16.4 | 15.8 | 18.3 | 9.6 | 10.0 | 5.0 | 4.5 |
| 1980 | 80.9 | 15.1 | 15.8 | 18.7 | 10.5 | 11.3 | 5.3 | 4.2 |
| 1981 | 82.5 | 14.3 | 14.3 | 21.8 | 10.6 | 11.7 | 5.5 | 4.3 |
| 1982 | 82.0 | 14.4 | 13.0 | 22.3 | 11.1 | 11.3 | 5.1 | 4.8 |
| 1983 | 85.3 | 15.4 | 14.5 | 22.3 | 11.2 | 11.6 | 5.0 | 5.3 |
| 1984 | 87.2 | 15.6 | 15.3 | 22.1 | 11.2 | 12.6 | 5.2 | 5.1 |
| 1985 | 90.9 | 17.8 | 15.9 | 21.7 | 11.6 | 12.9 | 4.8 | 5.9 |

| Year | Total employed persons | By sectors | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Agriculture | Industry | Construction | Community and social services | Trade, restaurants, and hotels | Transport, storage, and communication | Other sectors a/ |
| 1986 | 93.7 | 18.0 | 16.5 | 23.5 | 12.0 | 13.4 | 4.8 | 5.8 |
| 1987 | 100.2 | 18.3 | 18.1 | 23.8 | 12.8 | 15.0 | 5.4 | 6.6 |
| 1988 | 98.9 | 19.9 | 15.2 | 26.1 | 11.2 | 14.3 | 5.3 | 6.5 |

Sources: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and the Gaza Strip)", 1968-1987 (UNCTAD/DSD/SEU/1), 1993; and CBS, Statistical abstract of Israel, (Jerusalem, 1990).

a/ Includes: electricity and water; financial, business, and personal services.

**Table 6.** Occupied territory: employed persons by occupation, 1973, 1980 and 1987
(percentages of total employed)

| Occupation | West Bank | | | Gaza Strip | | |
|---|---|---|---|---|---|---|
| | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 |
| Scientific and academic | 1.6 | 2.1 | 2.4 | 1.1 | 0.9 | 1.8 |
| Other professional | 6.4 | 5.6 | 5.6 | 6.2 | 6.0 | 5.9 |
| Administrators and managers | 0.8 | 0.8 | 1.1 | 0.5 | 0.8 | 1.3 |
| Clerical and related workers | 2.7 | 2.7 | 2.5 | 3.1 | 2.3 | 2.2 |
| Sales workers | 9.1 | 10.1 | 10.1 | 12.6 | 11.3 | 11.4 |
| Services workers (transport and communication) | 6.2 | 6.7 | 8.0 | 7.5 | 8.4 | 8.5 |
| Agriculture | 26.5 | 26.3 | 20.3 | 28.8 | 18.1 | 18.1 |
| Skilled workers in industry, mining, building and transport | 26.4 | 25.1 | 27.2 | 22.4 | 31.1 | 31.7 |
| Other workers in industry, transport and building | 20.3 | 20.6 | 22.5 | 17.8 | 21.1 | 19.1 |
| Total: (percentages) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| (thousands) | 126.4 | 134.8 | 177.6 | 68.1 | 80.9 | 100.2 |

Source: CBS, Statistical abstract of Israel, (Jerusalem), 1976, pp. 714-715; and 1989, pp. 724-725.

Note: Data excludes east Jerusalem.

**Table 7.** Occupied territory: distribution of gross capital formation by type and purpose, 1972-1987
(percentages)

| Year | As a percentage of Private Fixed Capital Formation | | | | As a percentage of Gross Domestic Capital Formation | | |
|---|---|---|---|---|---|---|---|
| | Building and construction works | Machinery and equipment | Private fixed capital formation | Gross domestic capital formation | Gross fixed capital formation | Total private capital formation | Government and local authorities |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | (%) | (%) | million US$ | million US$ | (%) | (%) | (%) |
| 1972 | 64.12 | 35.88 | 40.476 | 60.476 | 88.19 | 78.74 | 21.26 |
| 1973 | 69.40 | 30.60 | 63.810 | 74.524 | 107.99 | 77.64 | 22.36 |
| 1974 | 73.84 | 26.16 | 111.435 | 167.489 | 83.13 | 83.40 | 16.60 |
| 1975 | 76.95 | 23.05 | 125.237 | 136.278 | 118.52 | 73.38 | 26.62 |
| 1976 | 82.95 | 17.05 | 152.141 | 177.456 | 100.92 | 84.81 | 15.19 |
| 1977 | 80.93 | 19.07 | 164.436 | 175.239 | 105.56 | 88.27 | 11.73 |
| 1978 | 79.11 | 20.89 | 179.038 | 226.060 | 90.80 | 88.40 | 11.60 |
| 1979 | 81.75 | 18.25 | 254.756 | 275.629 | 103.86 | 88.56 | 11.44 |
| 1980 | 83.89 | 16.11 | 267.096 | 349.102 | 84.94 | 91.57 | 8.43 |
| 1981 | 85.84 | 14.16 | 272.041 | 285.618 | 107.48 | 87.77 | 12.23 |
| 1982 | 84.96 | 15.04 | 289.450 | 352.759 | 94.94 | 87.12 | 12.88 |
| 1983 | 82.28 | 17.72 | 282.125 | 330.492 | 102.57 | 82.80 | 17.20 |
| 1984 | 82.75 | 17.25 | 254.343 | 309.450 | 102.62 | 79.58 | 20.42 |
| 1985 | 82.72 | 17.28 | 261.885 | 286.588 | 106.81 | 84.57 | 15.43 |
| 1986 | 82.08 | 17.92 | 382.997 | 511.088 | 85.42 | 87.80 | 12.20 |
| 1987 | 78.52 | 21.48 | 459.058 | 529.341 | 104.68 | 82.04 | 17.96 |

**Table 7.** (continued)

Source: UNCTAD, "Selected national accounts series of the occupied Palestinian territory (West Bank and Gaza Strip)", 1968-1987, (UNCTAD/RDP/SEU/6).

Note: Data excludes east Jerusalem.

Definitions:

- Private fixed capital formation = Capital formation in building and construction works plus machinery and equipment.
- Total private capital formation = Private fixed capital formation plus changes in olive oil stocks.
- Gross domestic capital formation = Total private capital formation plus fixed capital formation by government and local authorities.
- Gross fixed capital formation = Total private fixed capital formation plus fixed capital formation by government and local authorities.

**Table 8.** Occupied territory: balance of payments on the current and capital accounts, 1968-1987

(Millions of current United States dollars)

| CURRENT ACCOUNT | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|
| TRADE BALANCE | -34.286 | -47.714 | -53.457 | -55.281 | -80.190 | -110.143 | -181.547 | -214.196 | -202.783 | -248.643 |
| Exports of Goods (FOB) | 33.714 | 39.343 | 46.200 | 66.649 | 87.619 | 103.333 | 156.368 | 193.675 | 233.501 | 258.145 |
| Imports of Goods (FOB) | 68.000 | 87.057 | 99.657 | 121.930 | 167.809 | 213.476 | 337.914 | 407.870 | 436.284 | 506.788 |
| BALANCE ON SERVICES | 2.000 | 0.343 | 9.429 | 29.437 | 61.786 | 87.881 | 118.161 | 111.372 | 111.096 | 111.788 |
| Total Services Credit | 22.571 | 21.086 | 38.000 | 66.997 | 111.190 | 152.905 | 210.022 | 209.432 | 237.254 | 248.776 |
| Total Services Debit | 20.571 | 20.743 | 28.571 | 37.560 | 49.405 | 65.024 | 91.861 | 98.060 | 126.159 | 136.988 |
| Transport Credit (a) | .. | 0.000 | 0.000 | 0.000 | 0.952 | 3.952 | 3.812 | 8.738 | 3.413 | 5.163 |
| Transport Debit (a) | .. | 3.086 | 3.629 | 5.094 | 6.929 | 8.690 | 12.265 | 13.186 | 13.249 | 13.604 |
| Travel Abroad Credit | 17.429 | 4.343 | 3.657 | 6.542 | 8.071 | 7.619 | 14.260 | 11.183 | 12.078 | 13.260 |
| Travel Abroad Debit | 10.286 | 9.686 | 7.657 | 6.515 | 10.238 | 15.310 | 21.861 | 22.192 | 29.987 | 32.964 |
| Insurance Credit | .. | 0.286 | 1.143 | 1.877 | 1.571 | 2.048 | 2.691 | 3.628 | 3.501 | 3.509 |
| Insurance Debit | .. | 0.657 | 1.629 | 2.279 | 2.929 | 3.833 | 5.000 | 7.256 | 7.015 | 7.008 |
| Direct Investment Income Credit | .. | 0.886 | 0.886 | 0.912 | 0.833 | 1.000 | 1.121 | 0.946 | 0.907 | 0.822 |
| Direct Investment Income Debit | .. | 0.086 | 0.086 | 0.134 | 0.119 | 0.167 | 0.179 | 0.158 | 0.151 | 0.134 |
| Government Services Credit | .. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Debit | .. | 2.400 | 2.800 | 2.869 | 2.405 | 2.976 | 3.924 | 3.896 | 4.156 | 4.321 |
| Other Services Credit | .. | 15.571 | 32.314 | 57.668 | 99.762 | 138.286 | 188.139 | 184.937 | 217.355 | 226.023 |
| Other Services Debit | .. | 4.829 | 12.771 | 20.670 | 26.786 | 34.048 | 48.632 | 51.372 | 71.599 | 78.958 |
| of which | | | | | | | | | | |
| Labour Income Credit | .. | 15.571 | 32.314 | 57.668 | 99.762 | 138.286 | 188.139 | 184.937 | 217.355 | 226.023 |
| Labour Income Debit | .. | 2.829 | 3.543 | 4.316 | 3.952 | 3.952 | 4.978 | 5.457 | 5.101 | 4.809 |
| BALANCE ON GOODS AND SERVICES | -32.286 | -47.371 | -44.029 | -25.844 | -18.405 | -22.262 | -63.386 | -102.823 | -91.688 | -136.855 |
| Goods and Services Credit | 56.286 | 60.429 | 84.200 | 133.646 | 198.810 | 256.238 | 366.390 | 403.107 | 470.755 | 506.921 |
| Goods and Services Debit | 88.571 | 107.800 | 128.229 | 159.491 | 217.214 | 278.500 | 429.775 | 505.930 | 562.443 | 643.776 |
| NET UNREQUITED TRANSFERS | 60.286 | 56.800 | 65.000 | 60.643 | 54.333 | 24.000 | 36.547 | 38.849 | 92.985 | 87.199 |
| Transfers Credit | 60.286 | 58.657 | 70.314 | 68.767 | 69.238 | 37.952 | 55.583 | 77.729 | 127.909 | 122.380 |
| Transfers Debit | 0.000 | 1.857 | 5.314 | 8.123 | 14.905 | 13.952 | 19.036 | 38.880 | 34.924 | 35.182 |
| BALANCE ON THE CURRENT ACCOUNT | | | | | | | | | | |
| Balance | 28.000 | 9.429 | 20.971 | 34.799 | 35.929 | 1.738 | -26.839 | -63.975 | 1.297 | -49.656 |
| Current Account Credit | 116.571 | 119.086 | 154.514 | 202.413 | 268.048 | 294.190 | 421.972 | 480.835 | 598.665 | 629.302 |
| Current Account Debit | 88.571 | 109.657 | 133.543 | 167.614 | 232.119 | 292.452 | 448.811 | 544.810 | 597.367 | 678.958 |
| CAPITAL ACCOUNT (b) | | | | | | | | | | |
| Balance | -28.000 | -9.429 | -20.971 | -34.799 | -35.929 | 13.929 | 26.839 | 63.975 | -1.297 | 49.656 |
| Capital Movements Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 13.929 | 26.839 | 63.975 | 14.987 | 49.656 |
| Capital Movements Debit | 28.000 | 9.429 | 20.971 | 34.799 | 35.929 | 0.000 | 0.000 | 0.000 | 16.285 | 0.000 |

**Table 8.** Occupied territory: balance of payments on the current and capital accounts, 1968-1987 - (continued)

(Millions of current United States dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT ACCOUNT | | | | | | | | | | |
| TRADE BALANCE | -192.457 | -300.746 | -325.878 | -344.939 | -335.800 | -398.400 | -394.000 | -389.900 | -504.100 | -657.200 |
| Exports of Goods (FOB) | 266.798 | 277.083 | 353.473 | 409.238 | 398.500 | 393.500 | 296.300 | 281.100 | 387.400 | 395.000 |
| Imports of Goods (FOB) | 459.255 | 577.830 | 679.351 | 754.177 | 734.300 | 791.800 | 690.300 | 671.000 | 891.500 | 1052.200 |
| BALANCE ON SERVICES | 120.676 | 182.508 | 188.973 | 218.511 | 257.700 | 338.700 | 234.600 | 177.700 | 293.900 | 449.200 |
| Total Services Credit | 257.148 | 358.765 | 403.356 | 447.310 | 491.000 | 594.300 | 480.500 | 400.600 | 567.300 | 767.700 |
| Total Services Debit | 136.472 | 176.258 | 214.383 | 228.799 | 233.300 | 255.600 | 245.900 | 222.900 | 273.400 | 318.500 |
| Transport Credit (a) | 5.624 | 7.272 | 9.290 | 10.760 | 12.200 | 12.000 | 11.100 | 10.900 | 15.100 | 18.500 |
| Transport Debit (a) | 12.881 | 17.335 | 24.317 | 22.290 | 23.900 | 24.200 | 21.600 | 26.400 | 37.200 | 46.400 |
| Travel Abroad Credit | 12.062 | 13.876 | 17.018 | 16.578 | 13.200 | 14.600 | 10.900 | 11.200 | 12.600 | 15.200 |
| Travel Abroad Debit | 33.173 | 40.920 | 49.122 | 58.525 | 47.500 | 45.300 | 47.400 | 43.000 | 47.900 | 56.300 |
| Insurance Credit | 3.505 | 4.796 | 5.406 | 5.905 | 6.300 | 7.600 | 24.200 | 10.500 | 13.700 | 19.800 |
| Insurance Debit | 7.068 | 9.827 | 10.988 | 12.151 | 13.100 | 16.100 | 29.900 | 12.900 | 16.800 | 24.500 |
| Direct Investment Income Credit | 0.590 | 0.472 | 0.293 | 0.157 | 0.091 | 0.046 | 0.000 | 0.000 | 0.000 | 0.000 |
| Direct Investment Income Debit | 0.097 | 0.079 | 0.039 | 1.076 | 1.100 | 1.400 | 0.700 | 0.600 | 0.200 | 0.100 |
| Government Services Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Debit | 3.929 | 4.560 | 5.250 | 5.030 | 5.200 | 5.400 | 4.900 | 4.900 | 5.800 | 6.500 |
| Other Services Credit | 235.367 | 332.350 | 371.350 | 413.909 | 459.300 | 559.900 | 434.300 | 368.000 | 525.900 | 714.200 |
| Other Services Debit | 79.324 | 103.538 | 124.668 | 129.726 | 142.500 | 163.200 | 141.400 | 135.100 | 165.500 | 184.700 |
| of which | | | | | | | | | | |
| Labour Income Credit | 235.367 | 332.350 | 371.350 | 413.909 | 459.300 | 559.900 | 434.300 | 368.000 | 525.900 | 714.200 |
| Labour Income Debit | 4.187 | 9.709 | 11.397 | 11.276 | 11.700 | 13.000 | 14.200 | 9.500 | 9.400 | 10.800 |
| BALANCE ON GOODS AND SERVICES | -71.781 | -118.239 | -136.905 | -126.428 | -78.100 | -59.700 | -159.400 | -212.200 | -210.200 | -208.000 |
| Goods and Services Credit | 523.946 | 635.849 | 756.830 | 856.547 | 889.500 | 987.700 | 776.800 | 681.700 | 954.700 | 1162.700 |
| Goods and Services Debit | 595.727 | 754.087 | 893.735 | 982.975 | 967.600 | 1047.400 | 936.200 | 893.900 | 1164.900 | 1370.700 |
| NET UNREQUITED TRANSFERS | 91.054 | 94.851 | 111.007 | 119.281 | 106.600 | 100.300 | 92.200 | 70.800 | 74.126 | 129.906 |
| Transfers Credit | 126.564 | 144.104 | 167.428 | 182.714 | 171.700 | 179.100 | 149.800 | 108.300 | 118.750 | 189.530 |
| Transfers Debit | 35.510 | 49.253 | 56.421 | 63.433 | 65.100 | 78.800 | 57.600 | 37.500 | 44.624 | 59.624 |
| BALANCE ON THE CURRENT ACCOUNT | | | | | | | | | | |
| Balance | 19.273 | -23.388 | -25.898 | -7.147 | 28.500 | 40.600 | -67.200 | -141.400 | -133.300 | -80.100 |
| Current Account Credit | 650.509 | 779.952 | 924.257 | 1039.260 | 1061.200 | 1166.800 | 926.600 | 790.000 | 1076.200 | 1350.200 |
| Current Account Debit | 631.237 | 803.340 | 950.156 | 1046.407 | 1032.700 | 1126.200 | 993.800 | 931.400 | 1209.500 | 1430.300 |
| CAPITAL ACCOUNT (b) | | | | | | | | | | |
| Balance | -19.273 | 23.388 | 25.898 | 6.360 | -28.500 | -40.600 | 67.200 | 141.400 | 133.300 | 80.100 |
| Capital Movements Credit | 0.000 | 52.437 | 55.464 | 54.527 | 27.400 | 25.400 | 74.700 | 141.400 | 133.300 | 100.000 |
| Capital Movements Debit | 19.273 | 29.049 | 29.567 | 48.167 | 55.900 | 66.000 | 7.500 | 0.000 | 0.000 | 19.900 |

Source: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and Gaza Strip), 1968-1987", (UNCTAD/DSD/SEU/1).

Notes: Data exclude east Jerusalem.

(a) Inclusive of Passenger Transport, Shipment and others.
(b) Private currency holdings only.

**Table 9.** Gaza Strip: balance of payments on the current and capital accounts, 1968-1987

(Millions of current United States dollars)

| CURRENT ACCOUNT | 1968 a | 1969 a | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|
| TRADE BALANCE | -34.286 | -47.714 | -19.971 | -19.196 | -32.405 | -40.309 | -76.637 | -95.962 | -82.960 | -103.662 |
| Exports of Goods (FOB) | 33.714 | 39.343 | 14.686 | 26.515 | 34.786 | 43.143 | 61.390 | 80.552 | 104.446 | 133.556 |
| Imports of Goods (FOB) | 68.000 | 87.057 | 34.657 | 45.710 | 67.190 | 83.452 | 138.027 | 176.514 | 187.406 | 237.218 |
| BALANCE ON SERVICES | 2.000 | 0.343 | 1.343 | 3.405 | 18.881 | 36.833 | 47.018 | 41.341 | 46.688 | 46.654 |
| Total Services Credit | 22.571 | 21.086 | 9.143 | 13.378 | 33.286 | 57.095 | 75.516 | 72.729 | 84.836 | 87.342 |
| Total Services Debit | 20.571 | 20.743 | 7.800 | 9.973 | 14.405 | 20.262 | 28.498 | 31.388 | 38.149 | 40.688 |
| Transport Credit (b) | .. | 0.000 | 0.000 | 0.000 | 0.952 | 2.048 | 2.018 | 3.502 | 1.574 | 2.562 |
| Transport Debit (b) | .. | 3.086 | 1.400 | 2.011 | 2.905 | 3.786 | 5.404 | 5.694 | 6.297 | 6.597 |
| Travel Abroad Credit | 17.429 | 4.343 | 0.943 | 1.394 | 1.952 | 2.262 | 3.632 | 3.328 | 3.514 | 3.738 |
| Travel Abroad Debit | 10.286 | 9.686 | 1.229 | 1.421 | 2.048 | 2.714 | 3.767 | 3.470 | 4.257 | 4.474 |
| Insurance Credit | .. | 0.286 | 0.343 | 0.429 | 0.333 | 0.500 | 0.762 | 1.104 | 1.209 | 1.205 |
| Insurance Debit | .. | 0.657 | 0.171 | 0.509 | 0.762 | 1.119 | 1.570 | 2.350 | 2.594 | 2.591 |
| Direct Investment Income Credit | .. | 0.886 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Direct Investment Income Debit | .. | 0.086 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Credit | .. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Debit | .. | 2.400 | 1.086 | 1.099 | 1.167 | 1.429 | 1.883 | 1.877 | 2.003 | 2.084 |
| Other Services Credit | .. | 15.571 | 7.857 | 11.555 | 30.048 | 52.286 | 69.103 | 64.795 | 78.539 | 79.837 |
| Other Services Debit | .. | 4.829 | 3.914 | 4.933 | 7.524 | 11.214 | 15.874 | 17.997 | 22.997 | 24.943 |
| of which | | | | | | | | | | |
| Labour Income Credit | .. | 15.571 | 7.857 | 11.555 | 30.048 | 52.286 | 69.103 | 64.795 | 78.539 | 79.837 |
| Labour Income Debit | .. | 2.829 | 1.171 | 1.448 | 1.143 | 1.405 | 1.771 | 2.224 | 1.814 | 1.740 |
| BALANCE ON GOODS AND SERVICES | -32.286 | -47.371 | -18.629 | -15.791 | -13.524 | -3.476 | -29.619 | -54.621 | -36.272 | -57.008 |
| Goods and Services Credit | 56.286 | 60.429 | 23.829 | 39.893 | 68.071 | 100.238 | 136.906 | 153.281 | 189.282 | 220.899 |
| Goods and Services Debit | 88.571 | 107.800 | 42.457 | 55.684 | 81.595 | 103.714 | 166.525 | 207.902 | 225.554 | 277.906 |
| NET UNREQUITED TRANSFERS | 60.286 | 56.800 | 28.371 | 29.383 | 26.262 | 11.310 | 14.215 | 29.385 | 52.557 | 52.008 |
| Transfers Credit | 60.286 | 58.657 | 29.629 | 31.019 | 31.048 | 15.643 | 20.090 | 42.177 | 65.264 | 64.885 |
| Transfers Debit | 0.000 | 1.857 | 1.257 | 1.635 | 4.786 | 4.333 | 5.874 | 12.792 | 12.708 | 12.878 |
| BALANCE ON THE CURRENT ACCOUNT | | | | | | | | | | |
| Balance | 28.000 | 9.429 | 9.743 | 13.592 | 12.738 | 7.833 | -15.404 | -25.237 | 16.285 | -5.000 |
| Current Account Credit | 116.571 | 119.086 | 53.457 | 70.912 | 99.119 | 115.881 | 156.995 | 195.457 | 254.547 | 285.784 |
| Current Account Debit | 88.571 | 109.657 | 43.714 | 57.319 | 86.381 | 108.048 | 172.399 | 220.694 | 238.262 | 290.784 |
| CAPITAL ACCOUNT(c) | | | | | | | | | | |
| Balance | -28.000 | -9.429 | -9.743 | -13.592 | -12.738 | 7.833 | 15.404 | 25.237 | -16.285 | 5.000 |
| Capital Movements Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 7.833 | 15.404 | 25.237 | 0.000 | 5.000 |
| Capital Movements Debit | 28.000 | 9.429 | 9.743 | 13.592 | 12.738 | 0.000 | 0.000 | 0.000 | 16.285 | 0.000 |

**Table 9.** Gaza Strip: balance of payments on the current and capital accounts, 1968-1987 - (continued)

(Millions of current United States dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT ACCOUNT | | | | | | | | | | |
| TRADE BALANCE | -83.276 | -95.742 | -114.422 | -121.407 | -119.000 | -150.100 | -173.500 | -172.500 | -235.400 | -252.100 |
| Exports of Goods (FOB) | 122.646 | 132.209 | 155.035 | 191.847 | 191.600 | 182.300 | 106.200 | 109.100 | 142.800 | 160.300 |
| Imports of Goods (FOB) | 205.922 | 228.951 | 269.457 | 313.253 | 310.600 | 332.400 | 279.700 | 281.600 | 378.200 | 412.400 |
| BALANCE ON SERVICES | 52.377 | 86.204 | 93.169 | 116.044 | 124.100 | 170.200 | 123.300 | 84.600 | 145.000 | 215.900 |
| Total Services Credit | 95.418 | 142.414 | 163.544 | 191.479 | 202.200 | 264.900 | 216.000 | 167.200 | 251.000 | 332.300 |
| Total Services Debit | 43.041 | 56.211 | 70.375 | 75.435 | 78.100 | 94.700 | 92.700 | 82.600 | 106.000 | 116.400 |
| Transport Credit (a) | 2.784 | 3.341 | 4.118 | 4.873 | 5.400 | 5.400 | 4.700 | 4.900 | 6.900 | 8.700 |
| Transport Debit (a) | 6.241 | 8.176 | 11.749 | 10.559 | 11.000 | 11.200 | 10.000 | 12.700 | 17.900 | 21.600 |
| Travel Abroad Credit | 3.305 | 3.892 | 4.918 | 4.589 | 4.200 | 4.700 | 3.900 | 4.200 | 4.800 | 5.500 |
| Travel Abroad Debit | 5.790 | 7.154 | 8.431 | 9.728 | 8.400 | 8.300 | 8.400 | 7.600 | 8.700 | 10.200 |
| Insurance Credit | 1.317 | 1.965 | 2.205 | 2.511 | 2.600 | 3.200 | 10.600 | 4.200 | 5.700 | 8.400 |
| Insurance Debit | 2.824 | 4.245 | 4.742 | 5.450 | 5.600 | 6.900 | 13.100 | 5.100 | 7.100 | 10.300 |
| Direct Investment Income Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Direct Investment Income Debit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Government Services Debit | 1.896 | 2.201 | 2.537 | 2.432 | 2.500 | 2.600 | 2.400 | 2.400 | 2.800 | 3.100 |
| Other Services Credit | 88.312 | 133.215 | 152.303 | 179.407 | 190.000 | 251.600 | 196.800 | 153.900 | 233.600 | 309.700 |
| Other Services Debit | 26.289 | 34.434 | 42.916 | 47.275 | 50.600 | 65.700 | 58.800 | 54.800 | 69.500 | 71.200 |
| of which | | | | | | | | | | |
| Labour Income Credit | 88.013 | 133.215 | 152.303 | 179.407 | 190.000 | 251.600 | 196.800 | 153.900 | 233.600 | 309.700 |
| Labour Income Debit | 1.592 | 3.223 | 4.040 | 3.508 | 3.600 | 4.100 | 4.400 | 3.000 | 3.200 | 3.700 |
| BALANCE ON GOODS AND SERVICES | -30.899 | -12.539 | -21.253 | -5.363 | 5.100 | 20.100 | -50.200 | -87.900 | -90.400 | -36.200 |
| Goods and Services Credit | 218.064 | 264.623 | 318.579 | 383.325 | 393.800 | 447.200 | 322.200 | 276.300 | 393.800 | 492.600 |
| Goods and Services Debit | 248.963 | 277.162 | 339.832 | 388.688 | 388.700 | 427.100 | 372.400 | 364.200 | 484.200 | 528.800 |
| NET UNREQUITED TRANSFERS | 42.045 | 41.588 | 50.820 | 53.530 | 50.800 | 45.900 | 57.700 | 39.300 | 42.500 | 56.100 |
| Transfers Credit | 56.054 | 62.697 | 75.293 | 81.690 | 78.700 | 80.400 | 82.100 | 53.900 | 60.800 | 81.300 |
| Transfers Debit | 14.009 | 21.108 | 24.473 | 28.160 | 27.900 | 34.500 | 24.400 | 14.600 | 18.300 | 25.200 |
| BALANCE ON THE CURRENT ACOUNT | | | | | | | | | | |
| Balance | 11.146 | 29.049 | 29.567 | 48.167 | 55.900 | 66.000 | 7.500 | -48.600 | -47.900 | 19.900 |
| Current Account Credit | 274.118 | 327.319 | 393.872 | 465.015 | 472.500 | 527.600 | 404.300 | 330.200 | 454.600 | 573.900 |
| Current Account Debit | 262.972 | 298.270 | 364.304 | 416.848 | 416.600 | 461.600 | 396.800 | 378.800 | 502.500 | 554.000 |
| CAPITAL ACCOUNT (b) | | | | | | | | | | |
| Balance | -11.145 | -29.049 | -29.567 | -48.167 | -55.900 | -66.000 | -7.500 | 48.600 | 47.900 | -19.900 |
| Capital Movements Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 48.600 | 47.900 | 0.000 |
| Capital Movements Debit | 11.145 | 29.049 | 29.567 | 48.167 | 55.900 | 66.000 | 7.500 | 0.000 | 0.000 | 19.900 |

Source: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and Gaza Strip), 1968-1987", (UNCTAD/DSD/SEU/1).

Notes:

(a) Data cover both the West Bank and the Gaza Strip.
(b) Inclusive of Passenger Transport, Shipment and others.
(c) Private currency holdings only.

**Table 10. West Bank: balance of payments on the current and capital accounts, 1968-1987**

(Millions of current United States dollars)

| ENT ACCOUNT | 1968 a | 1969 a | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|
| ANCE | -34.286 | -47.714 | -33.486 | -36.086 | -47.786 | -69.833 | -104.910 | -118.233 | -119.824 | -144.981 |
| of Goods (FOB) | 33.714 | 39.343 | 31.514 | 40.134 | 52.833 | 60.190 | 94.977 | 113.123 | 129.055 | 124.589 |
| of Goods (FOB) | 68.000 | 87.057 | 65.000 | 76.220 | 100.619 | 130.024 | 199.888 | 231.356 | 248.879 | 269.570 |
| N SERVICES | 2.000 | 0.343 | 8.086 | 26.032 | 42.905 | 51.048 | 71.143 | 70.032 | 64.408 | 65.134 |
| rvices Credit | 22.571 | 21.086 | 28.857 | 53.619 | 77.905 | 95.809 | 134.507 | 136.703 | 152.418 | 161.434 |
| rvices Debit | 20.571 | 20.743 | 20.771 | 27.587 | 35.000 | 44.762 | 63.363 | 66.672 | 88.010 | 96.300 |
| t Credit (b) | .. | 0.000 | 0.000 | 0.000 | 0.000 | 1.905 | 1.794 | 5.237 | 1.839 | 2.600 |
| t Debit (b) | .. | 3.086 | 2.229 | 3.083 | 4.024 | 4.905 | 6.861 | 7.492 | 6.952 | 7.008 |
| broad Credit | 17.429 | 4.343 | 2.714 | 5.147 | 6.119 | 5.357 | 10.628 | 7.855 | 8.564 | 9.522 |
| broad Debit | 10.286 | 9.686 | 6.429 | 5.094 | 8.190 | 12.595 | 18.094 | 18.722 | 25.730 | 28.489 |
| Credit | .. | 0.286 | 0.800 | 1.448 | 1.238 | 1.548 | 1.928 | 2.524 | 2.292 | 2.304 |
| Debit | .. | 0.657 | 1.457 | 1.769 | 2.167 | 2.714 | 3.430 | 4.905 | 4.421 | 4.417 |
| nvestment Income Credit | .. | 0.886 | 0.886 | 0.912 | 0.833 | 1.000 | 1.121 | 0.946 | 0.907 | 0.822 |
| nvestment Income Debit | .. | 0.086 | 0.086 | 0.134 | 0.119 | 0.167 | 0.179 | 0.158 | 0.151 | 0.134 |
| nt Services Credit | .. | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| nt Services Debit | .. | 2.400 | 1.714 | 1.769 | 1.238 | 1.548 | 2.040 | 2.019 | 2.154 | 2.237 |
| rvices Credit | .. | 15.571 | 24.457 | 46.113 | 69.714 | 86.000 | 119.036 | 120.142 | 138.816 | 146.185 |
| rvices Debit | .. | 4.829 | 8.857 | 15.737 | 19.262 | 22.833 | 32.758 | 33.375 | 48.602 | 54.015 |
| Income Credit | .. | 15.571 | 24.457 | 46.113 | 69.714 | 86.000 | 119.036 | 120.142 | 138.816 | 146.185 |
| Income Debit | .. | 2.829 | 2.371 | 2.869 | 2.810 | 2.548 | 3.206 | 3.233 | 3.287 | 3.069 |
| N GOODS AND SERVICES | -32.286 | -47.371 | -25.400 | -10.054 | -4.881 | -18.786 | -33.767 | -48.202 | -55.416 | -79.847 |
| d Services Credit | 56.286 | 60.429 | 60.371 | 93.753 | 130.738 | 156.000 | 229.484 | 249.827 | 281.473 | 286.023 |
| d Services Debit | 88.571 | 107.800 | 85.771 | 103.807 | 135.619 | 174.786 | 263.251 | 298.028 | 336.889 | 365.870 |
| UITED TRANSFERS | 60.286 | 56.800 | 36.629 | 31.260 | 28.071 | 12.690 | 22.332 | 9.464 | 40.428 | 35.191 |
| s Credit | 60.286 | 58.657 | 40.686 | 37.748 | 38.190 | 22.310 | 35.493 | 35.552 | 62.645 | 57.495 |
| s Debit | 0.000 | 1.857 | 4.057 | 6.488 | 10.119 | 9.619 | 13.161 | 26.088 | 22.217 | 22.304 |
| N THE CURRENT ACCOUNT | 28.000 | 9.429 | 11.229 | 21.206 | 23.190 | -6.095 | -11.435 | -38.738 | -14.987 | -44.656 |
| Account Credit | 116.571 | 119.086 | 101.057 | 131.501 | 168.929 | 178.310 | 264.977 | 285.378 | 344.118 | 343.518 |
| Account Debit | 88.571 | 109.657 | 89.829 | 110.295 | 145.738 | 184.405 | 276.412 | 324.116 | 359.105 | 388.174 |
| TIAL ACCOUNT (c) | -28.000 | -9.429 | -11.229 | -21.206 | -23.190 | 6.095 | 11.435 | 38.738 | 14.987 | 44.656 |
| Movements Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 6.095 | 11.435 | 38.738 | 14.987 | 44.656 |
| Movements Debit | 28.000 | 9.429 | 11.229 | 21.206 | 23.190 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

**Table 10. West Bank: balance of payments on the current and capital accounts, 1968-1987 - (continued)**

(Millions of current United States dollars)

| CURRENT ACCOUNT | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|
| ADE BALANCE | -189.181 | -202.679 | -211.456 | -223.532 | -216.800 | -248.100 | -220.500 | -217.400 | -268.700 | -405.100 |
| xports of Goods (FOB) | 144.152 | 154.874 | 198.439 | 217.391 | 206.900 | 211.100 | 190.100 | 172.000 | 244.600 | 234.700 |
| mports of Goods (FOB) | 253.333 | 356.879 | 409.894 | 440.923 | 423.700 | 459.400 | 410.600 | 389.400 | 513.300 | 639.800 |
| ALANCE ON SERVICES | 88.299 | 96.305 | 95.804 | 102.467 | 133.600 | 168.500 | 111.300 | 91.100 | 148.900 | 233.300 |
| otal Services Credit | 181.730 | 216.352 | 239.812 | 255.831 | 288.800 | 329.400 | 264.500 | 233.400 | 316.300 | 435.400 |
| otal Services Debit | 93.431 | 120.047 | 144.009 | 153.364 | 155.200 | 160.900 | 153.200 | 140.300 | 167.400 | 202.100 |
| ransport Credit (a) | 2.641 | 3.931 | 5.172 | 5.887 | 6.800 | 6.600 | 6.400 | 6.000 | 8.200 | 9.800 |
| ransport Debit (a) | 6.638 | 9.159 | 12.568 | 11.740 | 12.900 | 13.000 | 11.600 | 13.700 | 19.300 | 24.800 |
| ravel Abroad Credit | 8.757 | 9.984 | 12.100 | 11.889 | 9.000 | 10.100 | 7.000 | 6.300 | 7.800 | 9.700 |
| ravel Abroad Debit | 27.381 | 31.766 | 40.691 | 48.797 | 39.100 | 37.000 | 39.000 | 7.800 | 39.200 | 46.100 |
| nsurance Credit | 2.188 | 2.630 | 3.201 | 3.394 | 3.700 | 4.400 | 13.600 | 6.300 | 7.800 | 11.400 |
| nsurance Debit | 4.244 | 5.382 | 6.245 | 6.701 | 7.500 | 9.200 | 16.800 | 7.800 | 9.700 | 14.200 |
| irect Investment Income Credit | 0.590 | 0.472 | 0.293 | 0.157 | 0.091 | 0.046 | 0.000 | 0.000 | 0.000 | 0.000 |
| irect Investment Income Debit | 0.097 | 0.079 | 0.039 | 1.076 | 1.100 | 1.400 | 0.700 | 0.600 | 0.200 | 0.100 |
| overnment Services Credit | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| overnment Services Debit | 2.022 | 2.356 | 2.713 | 2.598 | 2.700 | 2.800 | 2.500 | 2.500 | 3.000 | 3.400 |
| ther Services Credit | 147.354 | 199.135 | 219.047 | 234.503 | 269.300 | 308.300 | 237.500 | 214.100 | 292.300 | 404.500 |
| ther Services Debit | 53.035 | 69.104 | 81.752 | 82.451 | 91.900 | 97.500 | 82.600 | 80.300 | 96.000 | 113.500 |
| f Which: | | | | | | | | | | |
| Labour Income Credit | 147.354 | 199.135 | 219.047 | 234.503 | 269.300 | 308.300 | 237.500 | 214.100 | 292.300 | 404.500 |
| Labour Income Debit | 2.594 | 6.486 | 7.358 | 7.768 | 8.100 | 8.900 | 9.800 | 6.500 | 6.200 | 7.100 |
| alance on Goods and Services | -40.882 | -106.379 | -115.652 | -121.065 | -83.200 | -79.800 | -109.200 | -124.300 | -119.800 | -171.800 |
| oods and Services Credit | 305.882 | 372.226 | 438.251 | 473.221 | 495.700 | 540.500 | 454.600 | 405.400 | 560.900 | 670.100 |
| oods and Services Debit | 346.764 | 478.926 | 553.903 | 594.287 | 578.900 | 620.300 | 563.800 | 529.700 | 680.700 | 841.900 |
| NREQUITED TRANSFERS | 49.009 | 53.263 | 60.187 | 65.751 | 55.800 | 54.500 | 34.500 | 31.500 | 34.400 | 71.800 |
| ransfers Credit | 70.510 | 81.407 | 92.135 | 101.023 | 93.000 | 98.700 | 67.700 | 54.400 | 60.700 | 106.200 |
| ransfers Debit | 21.501 | 28.145 | 31.948 | 35.272 | 37.200 | 44.300 | 33.200 | 22.900 | 26.300 | 34.400 |
| ALANCE ON THE CURRENT ACCOUNT | | | | | | | | | | |
| alance | 8.127 | -52.417 | -55.465 | -55.314 | -27.400 | -25.400 | -74.700 | -92.800 | -85.400 | -100.000 |
| urrent Account Credit | 376.391 | 452.633 | 530.386 | 574.244 | 588.700 | 639.200 | 522.300 | 459.800 | 621.600 | 776.300 |
| urrent Account Debit | 368.264 | 505.070 | 585.851 | 629.559 | 616.100 | 664.600 | 597.000 | 552.600 | 707.000 | 876.300 |
| CAPITAL ACCOUNT (b) | | | | | | | | | | |
| alance | -8.127 | 52.417 | 55.464 | 54.527 | 27.400 | 25.400 | 74.700 | 92.800 | 85.400 | 100.000 |
| apital Movements Credit | 0.000 | 52.417 | 55.464 | 54.527 | 27.400 | 25.400 | 74.700 | 92.800 | 85.400 | 100.000 |
| apital Movements Debit | 8.127 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

ce: UNCTAD, "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and Gaza Strip), 1968-1987", (UNCTAD/DSD/SEU/1).

e: Data exclude east Jerusalem.

(a) Data cover both the West Bank and the Gaza Strip.
(b) Inclusive of Passenger Transport, Shipment and others.
(c) Private currency holdings only.

**Table 11.** Number of vehicles by type in the West Bank, selected years, 1970-1987

| Type of vehicle | 1970 | 1980 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|
| Private cars | 1 626 | 11 691 | 27 787 | 31 238 | 35 349 | 39 091 |
| Trucks and commercial vehicles | 1 199 | 7 905 | 11 225 | 11 786 | 12 582 | 13 710 |
| Buses and minibuses | 394 | 508 | 567 | 571 | 591 | 614 |
| Taxis | 828 | 892 | 939 | 939 | 941 | 942 |
| Tractors | 459 | 2 145 | 3 311 | 3 560 | 3 763 | 3 972 |
| Special vehicles and others | 153 | 487 | 524 | 531 | 531 | 531 |

Source: CBS, Statistical abstract of Israel, various issues (Jerusalem).

Note: Data excludes east Jerusalem.

**Table 12.** Number of vehicles by type in the Gaza Strip, selected years, 1970-1987

| Type of vehicle | 1970 | 1980 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|
| Private cars | 1 293 | 7 550 | 15 893 | 18 761 | 15 893 | 18 761 |
| Trucks and commercial vehicles | 1 053 | 3 905 | 3 849 | 4 377 | 3 849 | 4 374 |
| Buses and minibuses | 28 | 73 | 62 | 67 | 62 | 67 |
| Taxis | - | 790 | 773 | 773 | 773 | 773 |
| Tractors | 36 | 626 | 627 | 680 | 726 | 734 |
| Special vehicles and others | 13 | 66 | 26 | 48 | 56 | 73 |

Source: CBS, Statistical abstract of Israel, various issues (Jerusalem).

**Table 13.** Occupied Palestinian territory: travel and services payments and receipts, 1968-1987
(in million current dollars)

| Year | Balance on services | Total services payments | Total services receipts | Balance on travel | Travel abroad payments | Travel abroad receipts | Travel receipts as per cent of service receipts |
|---|---|---|---|---|---|---|---|
| 1968 | 2.00 | 20.57 | 22.57 | 7.14 | 10.29 | 17.43 | 77.2 |
| 1969 | 0.34 | 20.74 | 21.09 | -5.34 | 9.69 | 4.34 | 20.6 |
| 1970 | 9.43 | 28.57 | 38.00 | -4.00 | 7.66 | 3.66 | 9.6 |
| 1971 | 29.44 | 37.56 | 67.00 | 0.03 | 6.51 | 6.54 | 9.8 |
| 1972 | 61.79 | 49.40 | 111.19 | -2.17 | 10.24 | 8.07 | 7.3 |
| 1973 | 87.88 | 65.02 | 152.90 | -7.69 | 15.31 | 7.62 | 5.0 |
| 1974 | 118.16 | 91.86 | 210.02 | -7.60 | 21.86 | 14.26 | 6.8 |
| 1975 | 111.37 | 98.06 | 209.43 | -11.01 | 22.19 | 11.18 | 5.3 |
| 1976 | 111.10 | 126.16 | 237.25 | -17.91 | 29.99 | 12.08 | 5.1 |
| 1977 | 111.79 | 136.99 | 248.78 | -19.70 | 32.96 | 13.26 | 5.3 |
| 1978 | 120.68 | 136.47 | 257.15 | -21.11 | 33.17 | 12.06 | 4.7 |
| 1979 | 182.51 | 176.26 | 358.77 | -27.04 | 40.92 | 13.88 | 3.9 |
| 1980 | 188.97 | 214.38 | 403.36 | -32.10 | 49.12 | 17.02 | 4.2 |
| 1981 | 218.51 | 228.80 | 447.31 | -41.95 | 58.53 | 16.58 | 3.7 |
| 1982 | 257.70 | 233.30 | 491.00 | -34.30 | 47.50 | 13.20 | 2.7 |
| 1983 | 338.70 | 255.60 | 594.30 | -30.50 | 45.30 | 14.80 | 2.5 |
| 1984 | 234.60 | 245.90 | 480.50 | -36.50 | 47.40 | 10.90 | 2.3 |
| 1985 | 177.70 | 222.90 | 400.60 | -31.80 | 43.00 | 11.20 | 2.8 |
| 1986 | 293.90 | 273.40 | 567.30 | -35.30 | 47.90 | 12.60 | 2.2 |
| 1987 | 449.20 | 318.50 | 767.70 | -41.10 | 56.30 | 15.20 | 2.0 |

Source: UNCTAD "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and the Gaza Strip)", 1968-1987 (UNCTAD/DSD/SEU/1). All figures for 1968-1984 are on balance-of-payments data originally published in the respective annual editions of: Israel Central Bureau of Statistics, Statistical abstract of Israel. Figures for 1984 and for 1985-1987 are based on balance-of-payments data originally published in: Israel, Central Bureau of Statistics, Judea, Samaria and Gaza Area statistics, vol. XVII, No. 3, and vol. XVIII, No. 2, respectively.

Note: Data excludes east Jerusalem.

**Table 14.** Number of applications and number of approved building licences in the West Bank, 1985-1990

| Year | Number of applications | Number approved | Number not approved | Per cent of applications approved |
|---|---|---|---|---|
| 1985 | 2 593 | 1 900 | 693 | 73.3 |
| 1986 | 2 767 | 2 043 | 724 | 73.8 |
| 1987 | 640 | 238 | 402 | 37.2 |
| 1988 | 442 | 260 | 182 | 58.8 |
| 1989 | 506 | 297 | 209 | 58.7 |
| 1990 | 1 766 | 839 | 927 | 47.5 |
| **Total** | 8 714 | 5 577 | 3 137 | 64.0 |

Source: Bethlehem Municipality - Engineering Department, 1990, Special Study.

**Table 15.** Number of engineers in the West Bank, by branch and locality, 1990

| Branch of Engineering | Locality | | | | | |
|---|---|---|---|---|---|---|
| | Nablus, Jenin, Tulkarem, Qalqilya | Ramallah, Bireh | East Jerusalem | Bethlehem, Beit-Sahur, Beit-Jala | Hebron | Total |
| Civil | 425 | 118 | 117 | 72 | 113 | 845 |
| Architecture | 84 | 34 | 26 | 21 | 19 | 184 |
| Electrical | 150 | 48 | 48 | 44 | 60 | 350 |
| Mechanical | 124 | 38 | 41 | 30 | 46 | 279 |
| Chemical | 33 | 10 | 12 | 5 | 11 | 71 |
| Applied | 5 | - | - | 3 | 2 | 10 |
| Other | 11 | 5 | 4 | 2 | 3 | 25 |
| **Total** | 832 | 253 | 248 | 177 | 254 | 1 764 |

Source: Union of West Bank Engineers, Beit-Hanina, 1991.

**Table 16.** Professions and number of professionals in the West Bank and the Gaza Strip, 1990

| Profession | West Bank | Gaza Strip | Total |
|---|---|---|---|
| Engineers | 1 739 | 680 | 2 419 |
| Agricultural Engineers | 316 | 400 | 716 |
| Chemists | 310 | 110 | 420 |
| Doctors | 1 234 | 700 | 1 934 |
| Dentists | 276 | .. | 276[a] |
| Pharmacists | 310 | 110 | 420 |
| Lawyers | 261 | 253 | 514 |
| **Total** | 4 446 | 2 253 | 6 699 |

Sources: Union of West Bank Engineers, Beit-Hanina, 1991; Union of Palestinian Engineers, Gaza Strip, 1991; West Bank Medical Association, 1991; West Bank Pharmacists Association.

a/ Excluding Gaza Strip dentists.

**Table 17.** Number of establishments in major service branches in east Jerusalem, 1969, 1982 and 1986

| | 1969 | 1982 | 1986 |
|---|---|---|---|
| **Distributive** | | | |
| Transport | 1 | 13 | 23 |
| Wholesale/retail trade | 946 | 1 287 | 1 505 |
| Sub-total | 947 | 1 300 | 1 528 |
| **Producer** | | | |
| Financial and insurance | 5 | 14 | 32 |
| Real estate and engineering | 1 | 14 | 28 |
| Accounting, legal and other business services | 44 | 126 | 41 |
| Sub-total | 50 | 154 | 101 |
| **Personal** | | | |
| Hotels, restaurants, entertainment | 259 | 284 | 126 |
| Repair and other personal service | 120 | 99 | 74 |
| Sub-total | 379 | 383 | 200 |
| **Total** | 1 376 | 1 837 | 1 829 |

Sources: Data for 1969 and 1982 are from Hyman, et al., Jerusalem in transition (Jerusalem Institute for Israel Studies, 1985); Data for 1986 are from Alawneh, A. and Abu-Harb, Q., Economic conditions in Arab Jerusalem (Arab Studies Society, Jerusalem, 1988).

**Table 18.** Palestinian accredited universities: Year of start of undergraduate degree, number of majors offered, enrolment (1980/81 and 1987/88) and faculty (1987)

| University | Start of BA/BS programme | No. of majors offered | No. of students | | Teaching staff, 1987 |
|---|---|---|---|---|---|
| | | | 1980/81 | 1987/88 | |
| Bir-Zeit | 1972 | 23 | 1 661 | 2 652 | 210 |
| Bethlehem | 1973 | 14 | 935 | 1 517 | 99 |
| An-Najah | 1977 | 22 | 1 672 | 3 514 | 206 |
| Islamic (Gaza) | 1978 | 14 | 1 312 | 4 483 | 193 |
| Hebron College | 1980 | 7 | 949 | 1 603 | 53 |
| Al-Quds: | | | | | |
| Abu-Dis | 1981 | 10 | - | 643 | 85 |
| Paramedical | 1979 | 3 | 105 | 240 | 28 |
| Al-Umeh | 1982 | 3 | - | 309 | 21 |
| Al-D'awah | 1978 | 2 | 170 | 359 | 8 |

Source: Council of Higher Education, Ramallah, Jerusalem, 1991.

**Table 19.** Development of hotels in the West Bank, selected years, 1970-1987

| | 1970 | 1975 | 1980 | 1987 |
|---|---|---|---|---|
| No. of hotels | 29 | 25 | 15 | 18 |
| No. of rooms | 342 | 303 | 196 | 358 |
| No. of beds | 868 | 779 | 486 | 807 |
| No. of guests | 58 047 | 36 343 | 14 186 | 14 537 |
| Person-nights | 84 590 | 79 579 | 35 855 | 39 272 |
| % occupancy | 27 | 20 | 11 | 13 |
| Employees (monthly average) | 49 | 48 | 26 | 49 |

Source: CBS, Statistical abstract of Israel (Jerusalem, 1989).

Note: Data excludes east Jerusalem.

**Table 20.** Hotels and rooms in Israel (1989), and the West Bank (1990)

| | Israel 1989 | | West Bank 1990 | |
|---|---|---|---|---|
| | **Hotels** | **Rooms** | **Hotels** | **Rooms** |
| 5 star deluxe | 5 | 1 969 | - | - |
| 5 star | 26 | 6 747 | 2 | 344 |
| 4 star | 69 | 9 926 | 9 | 748 |
| 3 star | 105 | 8 529 | 14 | 824 |
| 2 star | 55 | 2 170 | 10 | 328 |
| 1 star | 24 | 839 | 5 | 127 |
| Holiday village | 13 | 1 688 | - | - |
| Others | 8 | 749 | - | - |
| **Total** | 305 | 32 617 | 40 | 2 371 |

Sources: Israel Central Bureau of Statistics, Monthly bulletin of statistics, vol. 11, Nov. 1990; the Arab Hotel Association.

**Table 21.** Number of licensed restaurants in the occupied Palestinian territory, 1987

| Location | Number |
|---|---|
| Gaza city | 9 |
| Rafah | 4 |
| Bethlehem | 13 |
| Ramallah-Bireh | 10 |
| East Jerusalem | 19 |
| Nablus | 14 |
| Jericho | 5 |
| Hebron | 3 |
| Tulkarem | 3 |
| **Total** | 80 |

Source: Israeli Ministry of Tourism, 1988, p. 21.

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